

NEW ORLEANS REDEVELOPMENT AUTHORITY

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/31/11

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units information of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2010, which collectively comprise **NORA's** basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of **NORA's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **NORA's** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units information of **NORA** as of December 31, 2010, and respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2011, on our consideration of NORA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. Also, that report contained instances of noncompliance.

The management's discussion and analysis on pages 3 through 11 and budgetary comparison information (Exhibits C, D, E and F) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 28, 2011

NEW ORLEANS REDEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This report offers readers of these financial statements an overview and analysis of the financial activities of **New Orleans Redevelopment Authority (NORA)** as of and for the years ended December 31, 2010 and 2009. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in **NORA's** financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on **NORA's** current year activities, resulting changes and currently known facts.

FINANCIAL HIGHLIGHTS

NORA's assets exceeded its liabilities by \$762,817 and \$1,352,368 for the years ended 2010 and 2009.

NORA's total net assets decreased by \$589,551 in 2010 and increased by \$983,800 in 2009. The decrease in net assets from 2009 is primarily related to \$232,000 in expenses not charged to grants and charged to the general fund based on the nature of the expenses and a restatement of net assets to reclassify approximately \$71,000 in property acquired with grant funds to deferred revenue. For the years ended December 31, 2010 and 2009, net revenues (expenses) were \$(215,824) and \$151,376 for the governmental activities. Similarly, net expenses for the business type activities were \$(70,197) in 2010 and \$(124,694) in 2009.

At December 31, 2010 and 2009, **NORA's** governmental funds reported combined fund balances of \$310,823 and \$441,536, respectively which reflects an decrease of \$130,713 for 2010 and a decrease of \$368,197 in 2009. Of the total fund balances, \$-0- is designated for current and future projects for both 2010 and 2009, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

NORA's financial statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance **NORA's** accountability.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Management's Discussion and Analysis introduces NORA's basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. NORA also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements on pages 12 through 14 are designed to be similar to private-sector business. These statements combine NORA's current financial resources with capital assets and long-term obligations.

The Statement of Net Assets on page 12 presents information on all of NORA's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of NORA is improving or deteriorating.

The Statement of Activities on page 14, presents information showing how NORA's assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e. earned but unused vacation leave result in cash flows for future periods). The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by NORA's grant revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services.

The governmental activities reflect NORA's basic services including the rehabilitation and/or removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community. The business-type activities of NORA reflect the development of viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income.

These services are financed primarily with grants, proceeds from sales of inventory, debt and other charges.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types. Within the basic financial statements, fund financial statements focus on NORA's most significant funds rather than NORA as a whole. Major funds are separately reported while others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

NORA's funds can be divided into two categories: governmental funds and proprietary funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. NORA's governmental funds on pages 15 through 21 are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and accounting principles generally accepted in the United States of America.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating NORA's current financing requirements.

A budgetary comparison statement is included in the basic financial statements for the major governmental funds.

Proprietary funds on pages 22 through 24 provide the same type of information as the government-wide financial statements, only in more detail for the major enterprise funds. Individual fund information for non-major enterprise funds is found in the combining statements in a later section of this report.

The governmental major funds total column requires reconciling because of the different measurement focus which is reflected on the page following each statement. The reconciliation incorporates long-term obligations and capital assets, as applicable into the government-wide statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 25 through 56 of the accompanying audit report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which can be found on pages 58 through 63 of this report. The supplementary sections are included for additional information and analysis and do not constitute a part of the basic financial statements.

Financial Analysis of NORA as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of NORA as a whole.

STATEMENT OF NET ASSETS COMPARATIVE DATA

	<u>December 31,</u>		Amount of Change
	<u>2010</u>	<u>2009</u>	Increase (Decrease)
Current and other assets	\$20,126,702	\$21,985,406	\$(1,858,704)
Capital assets	12,360	12,360	-0-
Loans receivable	<u>2,974,277</u>	<u>1,500,000</u>	<u>1,474,277</u>
Total assets	<u>23,113,339</u>	<u>23,497,766</u>	<u>(384,427)</u>
Current liabilities	17,645,949	17,554,706	91,243
Noncurrent liabilities	<u>4,704,573</u>	<u>4,590,692</u>	<u>113,881</u>
Total liabilities	<u>22,350,522</u>	<u>22,145,398</u>	<u>205,124</u>
Net Assets:			
Invested in capital assets	12,360	12,360	-0-
Unrestricted	<u>750,457</u>	<u>1,340,008</u>	<u>(589,551)</u>
Net assets	<u>\$ 762,817</u>	<u>\$ 1,352,368</u>	<u>\$ (589,551)</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Net assets decreased by 44% from 2009 to 2010. The primary causes for the change was a reclassification of grant funded property to deferred revenue and charges to reserves for costs not covered by grant sources.

NORA's net assets at December 31, 2010 and 2009 were \$762,817 and \$1,352,368. Of this amount, \$12,360 represents the amount invested in capital assets in both 2010 and 2009. The remaining \$750,457 for 2010 and \$1,340,008 for 2009 are unrestricted.

Current and other assets decreased more than 8% from \$21,985,406 in 2009 to \$20,126,702 in 2010. The decrease in assets relates to sales of blighted property from governmental entities. These activities were funded to redevelop property in New Orleans in a post-storm era. These properties are disposed of through various development mechanisms with the income returned to the appropriate governmental entity.

Current liabilities increased from \$17,554,706 in 2009 to \$17,645,949 in 2010. **NORA** has recorded the associated liabilities for the sale proceeds associated with property donated and those acquired with grant funding. There are no agreements in place at this time that allow **NORA** to reuse the proceeds from the sale of the associated properties.

NORA's major source of program revenues totaling \$7,560,564 and \$11,133,116 for the years ended December 31, 2010 and 2009, represent grants and/or subsidies from governmental entities. In 2010 and 2009 grants were received from other organizations including The Rockefeller Foundation, Greater New Orleans Foundation, Community Revitalization Fund and the Louisiana Disaster Recovery Foundation. Of the program revenue amount, \$7,560,564 and \$11,133,116 in 2010 and 2009 are included in the governmental fund. **NORA's** proprietary funds' revenue resulted from the sales of inventory in the amount of \$145,200 in 2010 and \$110,900 in 2009. Sales of inventory substantially met projections for 2010. **NORA's** major source of general revenues came as a result of interest income on cash investments.

Program expenses totaled \$7,819,112 for the governmental and \$215,397 for the business-type activities for 2010. In 2009, program expenses totaled \$11,581,199 and \$124,868, respectively. The decrease in governmental activities is the primary result of a decrease in funding by the City of New Orleans to fight blight and redevelop targeted areas of the City.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The major components of program expenses for 2010 and 2009 were related to the purchase or investment in the development of property in New Orleans and other contractual services related to property acquisition.

**STATEMENT OF ACTIVITIES COMPARATIVE DATA
FOR THE YEAR ENDED**

	<u>December 31,</u>		Amount of Change
	<u>2010</u>	<u>2009</u>	Increase (Decrease)
Program Revenues:			
Operating grants and contributions	\$7,560,564	\$11,133,116	\$(3,572,552)
Sales of inventory	<u>145,200</u>	<u>110,900</u>	<u>34,300</u>
	<u>7,705,764</u>	<u>11,244,016</u>	<u>(3,538,252)</u>
General Revenues:			
Interest income	<u>42,724</u>	<u>26,682</u>	<u>16,042</u>
	<u>42,724</u>	<u>26,682</u>	<u>16,042</u>
Expenses:			
General Expenses	<u>8,034,509</u>	<u>11,706,274</u>	<u>(3,671,765)</u>
Change in net assets	(286,021)	(435,576)	\$ <u>(149,555)</u>
Net assets, beginning of year, as restated	<u>1,048,838</u>	<u>1,787,944</u>	
Net assets, end of year	<u>\$ 762,817</u>	<u>\$ 1,352,368</u>	

Financial Analysis of NORA's Funds

Governmental Funds: As discussed, the focus of NORA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing NORA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of NORA's net resources available for spending at the end of the year.

At December 31, 2010 and 2009, NORA's governmental funds reported combined fund balances of \$154,430 and \$441,356. Of these amounts, \$217,725 and \$205,365 were unspendable for 2010 and 2009, respectively. The fund balances are reserved to indicate that it is not available for new spending because it has already been committed to the liquidation of contracts and purchase orders.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Major Governmental Funds: The general fund is the chief operating fund of NORA. At December 31, 2010 and 2009, unspendable and unassigned fund balances of the general fund was \$310,823 and \$441,536, respectively.

The Blighted Properties Removal Program Fund receives funding under contract with the City of New Orleans to provide rehabilitation, clearance and redevelopment of slums in blighted areas of the City of New Orleans. The fund balance always reflects a zero balance as this fund operates on a cost-reimbursement basis.

Proprietary Funds: The focus of NORA's proprietary funds is to provide the same type of information found in the government-wide financial statements, but in more detail.

Major Proprietary Funds: Unrestricted net assets at December 31, 2010 and 2009 amounted to \$608,387 and \$910,832, a decrease of \$302,445 and \$223,818 respectively for each year.

Shelter Plus Care reflects no change in net assets for the years ended December 31, 2010 and 2009.

Moderate Rehabilitation Program reflects no change for the years ended at December 31, 2010 and 2009.

The Real Estate Acquisition and Land Banking Mechanism reported a decrease in net assets of \$(302,445) and \$(223,818) for 2010 and 2009, respectively.

General Fund Budgetary Highlights

The Blighted Properties Removal Program Fund's original budgets for the fiscal year 2010 and 2009 were \$2,000,000 and \$2,280,442 for its annual program grant.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Capital Asset and Debt Administration

At December 31, 2010 and 2009, NORA had \$12,360 invested in capital assets consisting principally of land. See page 45 for detail composition of capital assets.

Economic Factors and Next Year's Budget and Rates

The New Orleans Redevelopment Authority's (NORA) budget for the current year decreased from \$71.9 million in 2010 to \$26 million in 2011. The increase in NORA's 2011 budget is related to spreading the budgets for contracts covering multiple years. Those sources include:

- o \$28.3 million from the Neighborhood Stabilization 2 (NSP2) program. NSP2 is a 3 year grant that NORA secured with 23 partner agencies. NORA is the lead agency with primary responsibility for the consortium group.
- o \$1.1 million funded from the Consolidated Appropriations Act for Fiscal Year 2010 to assist with blight remediation programs.
- o \$6.04 million from the Louisiana Recovery Authority for construction financing and a pass-through grant to a non-profit agency.
- o \$4.8 million in funding for Disaster CDBG funded projects outlined by the Mayor of New Orleans. All of this funding was available in the prior year; however, projects were not approved to commence as anticipated and carried over to the next contract period. Funds represent approved projects only.
- o \$2.1 million in anticipated administrative fees and advances to be collected from sales of Louisiana Land Trust property. The timing of the payment of the fee does not coincide with the expenses that are incurred to get the property to closing

Although NORA has a significant budget for 2011, there are still challenges that the Agency must overcome. Primarily all of the funding anticipated is on a cost reimbursement basis; hence the need to seek a line of credit to pay vendors timely.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Requests for Information

The report is designed to provide a general overview of **NORA's** finances for all those that are interested in **NORA's** finances. Any questions concerning any of the enclosed information in this report and/or requests for additional information should be addressed to Executive Director, New Orleans Redevelopment Authority, 1340 Poydras Street - Suite 600, New Orleans, Louisiana 70112.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>ASSETS</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Unit</u>	<u>Component Units</u>
Current Assets:				
Cash (NOTE 4)	\$ 627,301	\$ 9,447	\$ 636,748	\$137,837
Amounts receivable (NOTE 17)	169,645	1,000	170,645	10,288
Grants receivable (NOTE 8)	4,014,383	-0-	4,014,383	-0-
Accrued interest receivable	71,043	13	71,056	-0-
Advance	40,000	-0-	40,000	482
Prepaid items and other assets (NOTE 21)	-0-	501,912	501,912	-0-
Unimproved land and structures (NOTE 6)	11,865,415	929,186	12,794,601	488,050
Investments (NOTES 20 and 22)	758,756	-0-	758,756	-0-
Due from other funds, net	<u>407,209</u>	<u>731,392</u>	<u>1,138,601</u>	<u>-0-</u>
Total current assets	<u>17,953,752</u>	<u>2,172,950</u>	<u>20,126,702</u>	<u>636,657</u>
Noncurrent assets:				
Capital assets, net (NOTE 5)	12,360	-0-	12,360	-0-
Loans receivable (NOTE 27)	<u>2,974,277</u>	<u>-0-</u>	<u>2,974,277</u>	<u>-0-</u>
Total noncurrent assets	<u>2,986,637</u>	<u>-0-</u>	<u>2,986,637</u>	<u>-0-</u>
Total assets	<u>20,940,389</u>	<u>2,172,950</u>	<u>23,113,339</u>	<u>636,657</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS, CONTINUED
DECEMBER 31, 2010

LIABILITIES AND NET ASSETS

	Governmental Activities	Business-Type Activities	Total Primary Unit	Component Units
Current liabilities:				
Amounts payable (NOTE 23)	\$8,648,151	\$ 42,488	\$8,690,639	\$ 9,360
Accrued salaries and other withholdings payable	84,313	-0-	84,313	-0-
Deposits held for buyers (NOTE 15)	-0-	21,693	21,693	-0-
Deferred revenues (NOTE 25)	6,954,285	-0-	6,954,285	-0-
Due to other funds, net	-0-	1,498,161	1,498,161	13,483
Due to primary government	296,643	-0-	296,643	10,798
Compensated absences payable (NOTE 14)	90,465	2,063	92,528	-0-
Advances from AFLCIO Investment Trust	-0-	-0-	-0-	59,849
Payroll taxes payable	7,529	158	7,687	-0-
Total current liabilities	16,081,386	1,564,563	17,645,949	93,490
Noncurrent liabilities:				
Line-of-credit (NOTE 19)	1,500,000	-0-	1,500,000	-0-
Recoverable grants payable (NOTES 20 and 22)	1,500,000	-0-	1,500,000	-0-
Compensated absences payable (NOTE 14)	7,958	-0-	7,958	-0-
Unfunded other post employment liability (NOTE 3)	156,393	-0-	156,393	-0-
Revolving loan (NOTE 28)	1,540,222	-0-	1,540,222	-0-
Total noncurrent liabilities	4,704,573	-0-	4,704,573	-0-
Total liabilities	20,785,959	-0-	22,350,522	93,490
Net Assets:				
Invested in capital assets, net (NOTE 5)	-0-	-0-	-0-	-0-
Unrestricted	154,430	608,387	762,817	(70,077)
Restricted (NOTE 30)	-0-	-0-	-0-	613,244
Total net assets	\$ 154,430	\$ 608,387	\$ 762,817	\$ 543,167

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS			Total Primary Unit	Component Units
	Expenses	Charges for Services	Grants/ Contributions	Governmental Activities	Business Type Activities			
Governmental Activities:								
Blighted Properties Removal Program:								
Annual	\$ 867,607	\$ -0-	\$ 830,783	\$ (36,824)	\$ -0-	\$ (36,824)	\$	\$ -0-
Disaster	1,323,415	-0-	1,328,852	5,437	-0-	5,437		-0-
Target Zone	684,819	-0-	672,502	(12,317)	-0-	(12,317)		-0-
UDAG	35,826	-0-	35,826	-0-	-0-	-0-		-0-
Expanded Quick Take	317,664	-0-	317,664	-0-	-0-	-0-		-0-
State of Louisiana	2,594,365	-0-	2,595,352	987	-0-	987		-0-
Neighborhood Housing								
Improvement Fund	462,977		462,977	-0-	-0-	-0-		-0-
General Fund	215,831	-0-	-0-	(215,831)	-0-	(215,831)		-0-
Neighborhood Stabilization Program 2	1,313,731	-0-	1,313,731	-0-	-0-	-0-		-0-
Grants HUD	2,877	-0-	2,877	-0-	-0-	-0-		-0-
Total governmental activities	\$7,819,112	\$ -0-	\$7,560,564	(258,548)	-0-	(258,548)		-0-
Business-type Activities:								
Real Estate Acquisition and								
Land Banking Mechanism	\$ 215,397	\$ 145,200	\$ -0-	-0-	(70,197)	(70,197)		-0-
Total business-type activities	\$ 215,397	\$ 145,200	\$ -0-	-0-	(70,197)	(70,197)		-0-
Component Units:								
Building New Orleans CDE	\$ 119	\$ -0-	\$ -0-	-0-	-0-	-0-		(119)
NORA Community Capital, LLC	-0-	-0-	-0-	-0-	-0-	-0-		-0-
New Orleans Redevelopment Unlimited	8,495	-0-	249,745	-0-	-0-	-0-		241,250
Total component units	\$ 8,614	\$ -0-	\$ 249,745	-0-	-0-	-0-		241,131
General Revenues:								
Interest income				37,877	-0-	37,877		173
Other revenue				4,847	-0-	4,847		-0-
Total general revenues				42,724	-0-	42,724		173
Change in net assets				(215,824)	(70,197)	(286,021)		241,304
Net assets, beginning of year, as restated (NOTE 18)				370,254	678,584	1,048,838		301,863
Net assets, end of year				\$ 154,430	\$ 608,387	\$ 762,817		\$ 543,167

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

ASSETS

GOVERNMENTAL FUNDS

	General Fund	Blighted Properties Program Fund	Neighborhood Housing Program Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2	Total
Cash	\$ 18,428	\$ 926,798	\$58,006	\$ 26,665	\$ -0-	\$ 50,434	\$ 1,080,331
Amounts receivable, net	107,458	20,754	1,048	-0-	-0-	40,385	169,645
Accrued interest receivable	-0-	71,043	-0-	-0-	-0-	-0-	71,043
Advance	40,000	-0-	-0-	-0-	-0-	-0-	40,000
Prepaid items and other assets	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Grants receivable	-0-	2,312,886	-0-	1,045,677	309,252	240,616	3,908,431
Loans receivable, net	-0-	2,974,277	-0-	-0-	-0-	-0-	2,974,277
Due from other funds	2,976,037	1,577,324	-0-	-0-	-0-	-0-	4,553,361
Investments	-0-	758,756	-0-	-0-	-0-	-0-	758,756
Unimproved land and structures	12,360	-0-	-0-	6,676,400	-0-	-0-	6,688,760
Total assets	<u>\$3,154,283</u>	<u>\$8,641,838</u>	<u>\$59,054</u>	<u>\$7,748,742</u>	<u>\$309,252</u>	<u>\$331,435</u>	<u>\$20,244,604</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS, CONTINUED
DECEMBER 31, 2010

LIABILITIES AND FUND BALANCES

GOVERNMENTAL FUNDS

	General Fund	Blighted Properties Program Fund	Neighborhood Housing Program Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2	Total
Liabilities:							
Bank overdraft	\$ 453,030	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 453,030
Advances--City of New Orleans	9,783	-0-	-0-	-0-	-0-	-0-	9,783
Amounts payable - vendors	50,443	1,059,623	-0-	533,174	207,857	120,654	1,971,751
Amounts payable - State of Louisiana	-0-	-0-	-0-	6,676,400	-0-	-0-	6,676,400
Line-of-credit	-0-	1,500,000	-0-	-0-	-0-	-0-	1,500,000
Due to other funds	2,114,869	1,189,161	59,054	519,140	100,364	163,564	4,146,152
Salaries and related payroll taxes payable	-0-	56,422	-0-	20,028	1,031	6,832	84,313
Deferred revenues	9,078	1,715,807	-0-	-0-	-0-	40,385	1,765,270
Recoverable grants payable	-0-	1,500,000	-0-	-0-	-0-	-0-	1,500,000
Due to the City of New Orleans	206,257	80,603	-0-	-0-	-0-	-0-	286,860
Revolving loans	-0-	1,540,222	-0-	-0-	-0-	-0-	1,540,222
Deposits held for buyers	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total liabilities	2,843,460	8,641,838	59,054	7,748,742	309,252	331,435	19,933,781
Fund balances:							
Unassigned	93,098	-0-	-0-	-0-	-0-	-0-	93,098
Unspendable (NOTE 7)	217,725	-0-	-0-	-0-	-0-	-0-	217,725
Total fund balances	310,823	-0-	-0-	-0-	-0-	-0-	310,823
Total liabilities and fund balances	\$3,154,283	\$8,641,838	\$59,054	\$7,748,742	\$309,252	\$331,435	\$20,244,604

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Amounts reported for governmental activities in the Statement of Revenue, Expenditures and Changes in Fund Balances	\$ 310,823
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds	<u>(156,393)</u>
Net assets of governmental activities	\$ <u>154,430</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	GOVERNMENTAL FUNDS						Total
	General Fund	Blighted Properties Program Fund	Neighborhood Housing Improvement Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2	
Revenues:							
Grants - State of Louisiana	\$ -0-	\$ 987	\$ -0-	\$1,007,520	\$1,007,075	\$ -0-	\$2,015,582
Grants - City of New Orleans-Annual	-0-	818,047	-0-	-0-	-0-	-0-	818,047
Grants - City of New Orleans-Target	-0-	662,192	-0-	-0-	-0-	-0-	662,192
Grants - City of New Orleans-Disaster	-0-	1,308,958	-0-	-0-	-0-	-0-	1,308,958
Grants - City of New Orleans-UDAG	-0-	35,826	-0-	-0-	-0-	-0-	35,826
Grants - City of New Orleans EQT.	-0-	312,794	-0-	-0-	-0-	-0-	312,794
Grants - HUD	-0-	2,877	-0-	-0-	-0-	-0-	2,877
Grants - Neighborhood Stabilization Program 2	-0-	-0-	-0-	-0-	-0-	1,293,591	1,293,591
Grants - Rockefeller	-0-	426,271	-0-	-0-	-0-	-0-	426,271
Grants - Prudential Foundation	-0-	30,069	-0-	-0-	-0-	-0-	30,069
Interest income	2,917	25,723	9,237	-0-	-0-	-0-	37,877
Administrative fee	-0-	-0-	-0-	548,405	-0-	-0-	548,405
Other	4,847	-0-	-0-	-0-	-0-	-0-	4,847
Total revenues	7,764	3,623,744	9,237	1,535,925	1,007,075	1,293,591	7,497,336

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

	GOVERNMENTAL FUNDS						Total
	General Fund	Blighted Properties Program Fund	Neighborhood Housing Improvement Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2	
Expenditures:							
Salaries and employee benefits	\$ 16,060	\$1,851,924	\$ -0-	\$ 869,695	\$ 75,575	\$ 374,798	\$3,188,052
Convention and travel	1,743	8,953	-0-	1,528	2,937	12,959	28,120
Repairs and maintenance	1,577	137,613	-0-	372	69	233	139,864
Contractual services	21,469	1,107,866	-0-	145,098	23,028	335,416	1,632,877
Land acquisitions	-0-	273,365	-0-	-0-	-0-	-0-	273,365
Construction & rehabilitation activities	-0-	-0-	-0-	-0-	879,307	471,620	1,350,927
Telephone	99	10,178	-0-	4,207	620	1,910	17,014
Demolition activities	-0-	-0-	-0-	-0-	-0-	41,367	41,367
Supplies	2,372	25,853	-0-	11,487	524	5,928	46,164
Automobile expenses	504	25,881	-0-	8,927	406	2,919	38,637
Postage and printing	34	13,301	-0-	4,742	210	1,421	19,708
Insurance	5	40,574	-0-	10,902	553	2,159	54,193
Interest expense and fees	33,415	31,854	-0-	3,687	236	951	70,143
Office furniture & equipment	19	15,455	-0-	21,012	59	2,180	38,725
Rent	6,045	86,152	-0-	43,948	5,462	20,258	161,865
Acquisitions/appraisal expense	7,400	11,425	-0-	429,700	-0-	3,500	452,025
Public facilities	-0-	-0-	-0-	-0-	18,077	-0-	18,077
Legal settlement	35,647	-0-	-0-	-0-	-0-	-0-	35,647
Other	4,331	344	-0-	620	12	15,972	21,279
Total expenditures	130,720	3,640,738	-0-	1,555,925	1,007,075	1,293,591	7,628,049

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

	GOVERNMENTAL FUNDS					Total
	General Fund	Blighted Properties Program Fund	Neighborhood Housing Improvement Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses):	<u>\$ (122,936)</u>	<u>\$ (16,994)</u>	<u>\$ 9,237</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (130,713)</u>
Other financing sources (uses):						
Operating transfer in (out)	<u>(7,757)</u>	<u>16,994</u>	<u>(9,237)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,713)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(130,713)</u>
Net change in fund balances	<u>(130,713)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(130,713)</u>
Fund balances, beginning of year	<u>441,536</u>	<u>0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>441,536</u>
Fund balances, end of year	<u>\$ 310,823</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 310,823</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances	\$(130,713)
Post employment benefits payable not due and payable in the current period and therefore not reported in the funds	<u>(85,111)</u>
Change in net assets for the governmental activities	<u>\$(215,824)</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS--PROPRIETARY FUNDS
DECEMBER 31, 2010

ASSETS

	<u>Business-type Activities – Enterprise Funds</u>			
			Real Estate Acquisition And Land Banking Mechanism	Total
	<u>Shelter Plus Care</u>	<u>Moderate Rehabilitation Program</u>		
Current Assets:				
Cash	\$ -0-	\$ -0-	\$ 9,447	\$ 9,447
Amounts receivable	-0-	1,000	-0-	1,000
Accrued interest receivable	13	-0-	-0-	13
Prepaid items and other assets	1	112	501,799	501,912
Unimproved land and structures	-0-	-0-	929,186	929,186
Due from other funds	<u>16,289</u>	<u>1,883</u>	<u>713,220</u>	<u>731,392</u>
Total current assets	<u>16,303</u>	<u>2,995</u>	<u>2,153,652</u>	<u>2,172,950</u>
Total assets	<u>16,303</u>	<u>2,995</u>	<u>2,153,652</u>	<u>2,172,950</u>

LIABILITIES AND NET ASSETS

Current Liabilities:				
Salaries and related taxes payable	-0-	-0-	2,221	2,221
Deposits held for buyers	-0-	-0-	21,693	21,693
Amounts and other payable	756	-0-	41,732	42,488
Due to other funds	<u>3,046</u>	<u>2,824</u>	<u>1,492,291</u>	<u>1,498,161</u>
Total current liabilities	<u>3,802</u>	<u>2,824</u>	<u>1,557,937</u>	<u>1,564,563</u>
Net Assets:				
Unrestricted net assets	<u>12,501</u>	<u>171</u>	<u>595,715</u>	<u>608,387</u>
Total net assets	<u>\$12,501</u>	<u>\$ 171</u>	<u>\$ 595,715</u>	<u>\$ 608,387</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-type Activities—Enterprise Funds</u>			<u>Total</u>
	<u>Shelter Plus Care</u>	<u>Moderate Rehabilitation Program</u>	<u>Real Estate Acquisition And Land Banking Mechanism</u>	
Operating Revenues:				
Sales of inventory	\$ -0-	\$ -0-	\$ 142,700	\$ 142,700
Administrative fee	<u>-0-</u>	<u>-0-</u>	<u>2,500</u>	<u>2,500</u>
Total operating revenues	<u>-0-</u>	<u>-0-</u>	<u>145,200</u>	<u>145,200</u>
Operating Expenses:				
Cost of inventory	-0-	-0-	116,149	116,149
Property donation	-0-	-0-	19,523	19,523
Salaries and employee benefits	-0-	-0-	59,108	59,108
Convention and travel	-0-	-0-	77	77
Repairs and maintenance	-0-	-0-	13	13
Contractual services	-0-	-0-	1,622	1,622
Supplies	-0-	-0-	345	345
Telephone	-0-	-0-	224	224
Automobile expenses	-0-	-0-	93	93
Postage and printing	-0-	-0-	148	148
Insurance	-0-	-0-	231	231
Interest expense	-0-	-0-	394	394
Office furniture and equipment	-0-	-0-	73	73
Rent	-0-	-0-	3,674	3,674
Legal settlement	-0-	-0-	13,711	13,711
Other expenses	<u>-0-</u>	<u>-0-</u>	<u>12</u>	<u>12</u>
Total operating expenses	<u>-0-</u>	<u>-0-</u>	<u>215,397</u>	<u>215,397</u>
Operating loss	<u>-0-</u>	<u>-0-</u>	<u>(70,197)</u>	<u>(70,197)</u>
Change in net assets	<u>-0-</u>	<u>-0-</u>	<u>(70,197)</u>	<u>(70,197)</u>
Net assets, beginning of year	12,501	171	898,160	910,832
Adjustments to beginning net assets	<u>-0-</u>	<u>-0-</u>	<u>(232,248)</u>	<u>(232,248)</u>
Net assets, beginning of year restated	<u>12,501</u>	<u>171</u>	<u>665,912</u>	<u>678,584</u>
Total net assets, end of year	<u>\$ 12,501</u>	<u>\$ 171</u>	<u>\$ 595,715</u>	<u>\$ 608,387</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows Used by Operating Activities:	
Receipts from sales of inventory	\$ 145,200
Purchase of inventory	(116,149)
Property donation	(19,523)
Payment to employees	(59,108)
Payments to vendors	<u>(21,764)</u>
Net cash used in operating activities	<u>(71,344)</u>
Decrease in cash	(71,344)
Cash, beginning of year	<u>80,791</u>
Cash, end of year	<u>\$ 9,447</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (70,197)
Adjustments to beginning net assets	(232,248)
Changes in assets and liabilities:	
Increase in unimproved land inventory	(14,900)
Increase in due from other funds	(448,637)
Increase in due to other	694,485
Decrease in prepaid items and other assets	66,311
Decrease in deposits held for buyers	(22,812)
Decrease in amounts payable - vendors	(45,567)
Increase in salaries payable	<u>2,221</u>
Net cash used in operating activities	<u>\$ (71,344)</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Background and General Data:

Background

The **New Orleans Redevelopment Authority (NORA)** exists under the authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968. **NORA** was formulated as a program by the City of New Orleans for the utilization of appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the creation and organization of a community improvement agency; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans in accordance with community improvement plans or projects approved by the governing body of the City of New Orleans; to define the duties, liabilities, exemptions, authority and functions of such community improvement agency, including the acquisition of property by negotiation, gift or expropriation, the disposition of property by sale or lease, the issuance of bonds, borrowing of money and giving of security therefore and to allow bonds issued to be legal investments for banks and fiduciaries; to provide for notice and hearing; to authorize entering into agreements to secure Federal aid; to authorize public bodies to furnish funds, services, facilities and property in aid of community improvement projects and related activities hereunder; and to provide that securities issued and properties while held by the **New Orleans Redevelopment Authority** shall be exempt from taxation.

On July 7, 1994, the Louisiana Legislature passed Act No. 65 which amended Act No. 170 that created the **New Orleans Redevelopment Authority**. Act No. 65 effectively changed the name of the Community Improvement Agency to **New Orleans Redevelopment Authority**. In addition, the Board of Commissioners also adopted a resolution approving the name change.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General

As of December 31, 2010, **NORA** was primarily engaged in the following programs:

- Blighted Properties Removal Program
(Annual, Target Zone, and Disaster, UDGA, Expanded Quick Take, Affordable Housing Placement Program, Small Business Administration and Housing Mitigation Program Grants)
- Neighborhood Housing Improvement Fund
- Real Estate Acquisition and Land Banking Mechanism (REALM)
- Louisiana Recovery Authority
- Louisiana Land Trust
- Neighborhood Stabilization Program (NSP2)

New Orleans Redevelopment Authority under a contract with the City of New Orleans provides technical assistance in connection with the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large.

Further, through various grants and a cooperative agreement, **NORA** manages rehabilitation, demolition and removal activities through direct funding from Federal, State and private sources.

A brief description of each program follows:

- Blighted Properties Removal Program and Neighborhood Housing Improvement Fund

The Blighted Properties Removal Program and the Neighborhood Housing Improvement Fund are designed to provide for the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General, Continued

The program provides for technical assistance and/or financial assistance for rehabilitation, as may be available, to the existing property owner. The program is administered by **NORA** under contract with the City of New Orleans.

- **Shelter Plus Care Program**

The Shelter Plus Care Program was designed to develop viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income. The program's fiscal aspect is administered by **NORA** under contract with the City of New Orleans. For 2010, **NORA** had no contract obligation with the City of New Orleans.

- **Real Estate Acquisition and Land Banking Mechanism**

The REALM program is designed to provide a mechanism for the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property to allow for a greater impact on blight and community redevelopment.

Under the REALM program, **NORA** works with other City agencies to acquire blighted properties in a strategic fashion and then bundles those properties for sale and/or donation.

- **Louisiana Recovery Authority**

The Louisiana Recovery Authority (LRA) program managed by **NORA** focuses on redevelopment through economic development efforts within the New Orleans area.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

- **Louisiana Land Trust**

The Louisiana Land Trust's (LLT) mission is to "finance, own, lease as lessee or lessor, sell, exchange, donate otherwise hold or transfer a property interest in housing stock damaged by Hurricane Katrina or Rita.

Pursuant to said mission, LLT during 2010, transferred through acts of donation several pieces of damaged unimproved housing stock to **NORA** for sale.

Neighborhood Stabilization Program (NSP2)

The NSP2 program managed by **NORA**, focuses on a comprehensive neighborhood development strategy to address the challenges of blight and vacancy throughout the City.

General Fund

The general fund is used by **NORA** to account for all financial activities or resources that are not budgeted for in other funds.

Financial Reporting Entity

NORA exists under the Authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968 and subsequently amended by Act No. 65, passed in 1994. **NORA** has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and the City of New Orleans.

Government Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*" established standards for defining and reporting on the financial entity.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Financial Reporting Entity, Continued

GASB 14 and its related amendment GASB 39 indicate that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

NORA was established as a separate legal entity with a governing board which is separate and independent of any other governmental "reporting entity" as defined by GASB 14. Accordingly, management has concluded that **NORA** is a financial reporting entity within the meaning of the provisions of GASB 14.

Based on the requirements of GASB's 14 and 39, **NORA** has included the following component units in the financial reporting entity:

NORA formed in 2004 a 501(c)(3) organization **NORA Unlimited, Inc.** to utilize appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans to include, but not limited to community improvement plans or projects approved by the governing body of the City of New Orleans; and to acquire property by negotiation, or gift, and the disposition of property by sale, lease, or gift. To own real estate, to buy or sell, develop or lease, and generally handle, movable and immovable property of every nature and kind.

Also, in 2005, **NORA** formed a limited liability company **NORA Community Capital, LLC** for the primary purpose of serving the low income communities and Orleans Parish; and providing investment capital to low income persons in Orleans Parish; and the component units financial statements have been included in **NORA's** financial statements in a discrete presentation.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

On January 10, 2007, NORA partnered with another entity and formed Building New Orleans CDE, Inc. a Delaware non-profit organization. The mission of Building New Orleans, CDE, Inc. is exclusively for charitable purposes to include lessening the burdens of government, and erection or maintenance of public buildings, monuments, or work, within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

Basis of Presentation

NORA's basic financial statements consist of the government-wide statements of the primary government and its component units and the fund financial statements (individual major fund and combined nonmajor fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of NORA. The effect of interfund activity has been removed from these statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Government-Wide and Fund Financial Statements, Continued

NORA's statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who use or directly benefit from services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items are properly included among program revenues or reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Government-Wide and Fund Financial Statements, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NORA reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Blighted Properties Program/Neighborhood Housing Improvement Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes regarding the rehabilitation and/or demolition and removal and gap financing of blight in the City of New Orleans.

Louisiana Land Trust is used to account for the "Lot Next Door" activities and disposition of Land Trust property. Specifically the objective of the project is to facilitate the rehabilitation of blight in various neighborhoods in the City of New Orleans.

The Louisiana Recovery Program provides pass-through funding to other community based entities to facilitate address and rehabilitation projects in various communities within the City of New Orleans. In addition, these funds will also be utilized for a construction loan fund for contractor's restoring housing stock in the New Orleans area.

The Neighborhood Stabilization Program provides funding to consortium members in conjunction with existing resources and programs to address the challenges of blight and vacancy throughout the City of New Orleans.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Government-Wide and Fund Financial Statements, Continued

NORA reports the following major proprietary funds:

The Shelter Plus Care Program accounts for the activities of **NORA** in providing housing assistance payments on behalf of eligible families leasing from owners of property.

The REALM Program accounts for activities related to the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated at the government-wide financial statements level.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a propriety fund's principal ongoing operations. The principal operating revenues of **NORA's** enterprise fund are charges to customers for services and sales of inventory of land. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Government-Wide and Fund Financial Statements, Continued

Under the provisions of GASB 33 Standards (Accounting and Financial Reporting for Non-Exchange Transactions), **NORA** recognizes assets, liabilities, revenues and expenditures under its government-mandated and voluntary non-exchange transactions as follows:

- **NORA** recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- Revenue and expenditures are recognized when all applicable eligibility requirements are met; and
- Transactions with time requirements, resources received prior to the satisfaction of the time requirement(s), are recorded by **NORA** as deferred revenue upon award.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with an original maturity of ninety (90) days or less when purchased to be cash equivalents.

Loans Receivable

Loans receivable are recorded at the face value of the note at point of execution. The revolving loan program is used to support economic and rehabilitation development activities funded with CDBG grants. The interest rates on the loans range from zero to four (4) percent. Repayment range of the loans are required within established timelines.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Capital Assets

Capital assets include, land and equipment and are recorded at cost when the individual cost exceeds \$500. When no historical records are available, land and equipment are valued at estimated historical cost. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. In addition, costs associated with certain property acquired with CDBG funds received from the City of New Orleans and other sources are reflected as program costs to the respective programs. A property inventory is accounted for by the City of New Orleans for acquisition of non-expandable property that vest with the City of New Orleans.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not included in or capitalized in the proprietary fund. Equipment in the proprietary fund of NORA is recorded at cost.

Capital assets are depreciated in the proprietary fund of NORA using the straight-line method over a five (5) year estimated useful life. At December 31, 2010, equipment in the proprietary fund in an amount of \$-0- is fully depreciated.

Unimproved Land and Structures

Unimproved land and structures are recorded at cost and represent cost incurred in the acquisition of blighted properties. Donated properties are also included at the estimated fair value at point of donation. Gain or loss resulting from the sale of the related properties is reflected in income in the period of sale.

Compensated Absences

NORA has adopted its own policies based on the Louisiana Civil Service regulations for accumulated annual and sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Compensated Absences, Continued

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the governmental funds when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Financial Instruments

NORA's policy generally is to use financial derivatives to manage exposure to fluctuations in interest rate. NORA does not hold or issue derivative financial instruments for trading purposes.

Gains and losses realized and premiums paid on interest rate hedges, are deferred and amortized to interest expense over the life of the underlying instrument.

Long-term Obligations

NORA reports its long-term obligations as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. All applicable premium and discount costs, as well as origination costs are deferred and amortized over the life of the obligations.

Budgetary Data

NORA does not formally adopt or utilize a budget for its General Fund. Budgetary data for its Blighted Properties Removal program is submitted to and approved annually by the applicable funding sources of NORA.

Prepaid Items and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits:

In 2010, **NORA** provided benefit premiums to the State of Louisiana, Office of Group Benefits totaling \$10,418 for a retired employee. **NORA** will continue to provide health care and life insurance benefits for the retired employee.

As further discussed in NOTE 10, **NORA** in February of 2008 terminated its participation in the defined benefit plan operated by Louisiana State Employees' Retirement System (LASERS) for all current employees except for the one retired employee who is grand-fathered into the LASERS plan. The termination included the refunding of all prior contributions made to the plan by current employees. **NORA's** contributions made to the plan during its years of participation, do not carryover with its termination.

Plan Description

Currently **NORA** provides other postemployment benefits for one (1) retired employee. This postemployment benefits plan, an agent multiple-employer defined benefit plan, provides the retiree with a choice of participating in one of four medical insurance plans, each with varying benefits: preferred provider organization (PPO), exclusive provider organization (EPO), managed care option (MCO), or health maintenance organization (HMO). LSA-R.S. 42:801 - 859 assigns the authority to establish benefit plans and premium rates and negotiate contracts to the Office of Group Benefits under the direction of the Commissioner of Administration. The Office of Group Benefits issues a separate financial report which may be obtained by contacting them at:

Office of Group Benefits
State of Louisiana
P. O. Box 44036
Baton Rouge, Louisiana 70804
Phone: (800) 215-1093
Website: www.groupbenefits.org

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Funding Policy

During 2010, NORA recognized the cost of providing these benefits (NORA's portion of premiums) as an expense when the benefit premiums were due and thus financed the cost of postemployment benefits on a pay-as-you-go basis. It implemented Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB Statement 45). In 2010 NORA's portion of health care, and life insurance benefit premiums for its retired employee totaled \$10,418. NORA began the planning process of establishing a trust whose assets will be dedicated to providing other postemployment benefits to the retired employee and her beneficiary and which is legally protected from creditors. It is the intent of NORA, once the trust is established, to contribute its portion of postemployment benefits to the trust on a regular basis.

Required Contribution Rates

As determined by the Office of Group Benefits and approved by the Louisiana Legislature in 2007, the employer paid 75% of the premium cost for postemployment benefits for retired employees and their families, and the retirees paid 25% of the premium cost; monthly premium cost for retired employees ranged from \$130 for a single retiree in the HMO plan to \$514 for a family in the EPO plan.

NORA's annual medical and life postemployment benefits cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. NORA's annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize the unfunded actuarial liability (or funding excess) over a period of thirty (30) years for health and life insurance. The total annual required contributions for 2010 was \$3,237, none of which was funded because the trust had not been established.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

**Annual Other Postemployment Benefits Cost and Net
Postemployment Benefits Liability**

The following table shows NORA's annual postemployment benefits for 2010 and 2009, and changes in the Unfunded Postemployment Benefits liability:

	<u>2010</u>	<u>2009</u>
Normal cost	\$ -0-	\$ -0-
30-year actuarial accrued liability amortization of medical and life insurance	<u>6,024</u>	<u>3,237</u>
Annual required contribution	<u>\$ 6,024</u>	<u>\$ 3,237</u>
Net OPEB obligation - January 1	\$ 70,188	\$71,282
Annual required amortization	6,024	3,237
Amortized payment	-0-	(4,331)
Interest on net OPEB obligation	2,808	-0-
Adjustment to ARC	(4,059)	-0-
Age adjusted contribution	<u>(11,186)</u>	<u>-0-</u>
Net OPEB obligation - December 31	<u>\$ 63,775</u>	<u>\$70,188</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

**Annual Other Postemployment Benefits Cost and Net
Postemployment Benefits Liability, Continued**

The following table shows NORA's annual other postemployment benefits cost, percentage of that cost contributed, and the net unfunded other postemployment Benefits liability:

<u>Fiscal Year Ended</u>	<u>Annual Postemployment Benefits Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Unfunded Other Postemployment Benefits Liability</u>
12/31/10	\$ <u>4.773</u>	<u>-0-</u> %	\$ <u>63,775</u>

Funded Status and Funding Progress

In 2010, NORA made no contributions to other postemployment benefits plan trust since such a trust had not been established; the plan was not funded at all, has no assets, and hence has a funded ration of zero. As of December 31, 2010, the most recent actuarial valuation, the actuarial accrued liability was \$156,393, which is defined as that portion, as determined by a particular actuarial cost method, of the actuarial present value of other postemployment plan benefits and expenses which is not provided by normal cost (i.e., the cost of the actuarial present value of other postemployment for the *retired* employee from her hire date through her date of retirement). Since the plan was not funded in 2010, the entire actuarial accrued liability of \$156,393 was unfunded.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for postemployment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) healthcare cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing costs between **NORA** and its plan member to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between **NORA** and plan member in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The amount of the current employer portion of the healthcare premiums for the retiree coverage has been used as the basis for calculating the actuarial present value of benefits to be paid.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Actuarial Cost Method

The annual required contributions is determined using the Unit Credit Cost method, a method under which the benefits of each individual in an actuarial valuation are allocated by a consistent formula to valuation years, and actuarial gains or losses reduce or increase the unfunded actuarial accrued liability as they occur. The employer portion of the premiums for retiree medical care in each future year is determined by projecting the current premium levels using the health care cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover rates.

Actuarial Value of Plan Assets

Since this is the first actuarial valuation, there are not any assets to be actuarially valued; however, it is anticipated that future valuations of actuarial assets will be based on Actuarial Standards Board Actuarial Standard of Practice Number 6, *Measuring Retiree Group Benefit Obligations*, which is applicable to postemployment benefits plans and generally requires valuing dedicated plan assets using a method that takes into account market value.

Turnover Rate

The standard turnover assumptions as defined by GASB 45 paragraph 35b is used.

Retirement Rate

The beneficiary returned prior to December 31, 2010.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Healthcare Cost Trend Rates

The expected rate of increase in healthcare insurance premiums is based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services as published in *National Health Care Expenditures Projections: 2004 to 2013*, Table 3: National Health Expenditures Aggregate and Per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2005 by the Health Care Financing Administration. "State and Local" rates for 2006 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 4.7% for 2018 and later, as set forth below:

The healthcare cost rates are set forth below:

<u>Calendar Year</u>	<u>Health</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>
2010	9.000%	9.000%	3.000%	3.000%
2011	8.000%	8.000%	3.000%	3.000%
2012	7.800%	7.800%	3.000%	3.000%
2013	6.600%	6.600%	3.000%	3.000%
2014	5.800%	5.800%	3.000%	3.000%
2015	5.600%	5.600%	3.000%	3.000%
2016	5.600%	5.600%	3.000%	3.000%
2017	5.500%	5.500%	3.000%	3.000%
2018	4.700%	4.700%	3.00%	3.000%
and later	4.700%	4.700%	3.000%	3.000%

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Mortality Rate

The RP2000 Mortality Tables for Males and Females projected 10 years is used.

Investment Return Assumption (Discount Rate) and Inflation Rate

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on investments that are expected to be used to finance the payment of benefits. Since it is anticipated that the annual required contribution will be funded, a 5.5% annual investment return is assumed in the actuarial valuation. This is a conservative estimate of the expected long-term return of a balanced and conservative investment portfolio. An explicit rate of inflation is not included in either the investment return or the healthcare cost trend, but, rather, is implicitly included and is presumed to be the same for each.

Amortization Method and Period

The level dollar closed amortization method has been used. An amortization period of 30 years has been used for the medical benefits and 10 years for the life insurance benefits.

NOTE 4 - Cash:

At December 31, 2010 the carrying amount of **NORA's** deposits was \$636,748 and the cumulative bank balance was \$1,228,704. The cumulative collected bank balance is covered by federal depository insurance. Custodial credit risk, is the risk that in the event of a failure by the financial institution, **NORA's** deposits may not be returned to it. **NORA** has no deposit policy for custodial credit risk; however, at December 31, 2010, none of **NORA's** bank balances were exposed to custodial risk. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent. These securities are held by the fiscal agent bank in the name of **NORA**.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Capital Assets, Net:

As of December 31, 2010, capital assets consisted of the following:

	Balance January 1, 2010	Balance December 31, 2010
Land	\$ 12,360	\$ 12,360
Equipment	<u>44,430</u>	<u>44,430</u>
Sub-total		
Less: accumulated depreciation	(44,430)	(44,430)
Total	<u>\$ 12,360</u>	<u>\$ 12,360</u>

NOTE 6 - Unimproved Land and Structures:

At December 31, 2010, NORA's unimproved land and structures consisted of costs associated with the acquisition of property by expropriation and held for resale and/or donation in accordance with NORA's goal to rehabilitate, clear, and redevelop slum and blighted areas.

At December 31, 2010, unimproved land and structures by activity follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance, January 1	\$13,545,416	\$914,286	\$14,459,702
Net change	<u>(1,680,001)</u>	<u>14,900</u>	<u>(1,665,101)</u>
Balance, December 31	<u>\$11,865,415</u>	<u>\$929,186</u>	<u>\$12,794,601</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Unspendable Fund Balance:

The unspendable fund balance represents residual funds from completed projects. The fund primarily consists of deposits on land for Project A-2; retainage for contract work; relocation funds; and annual leave accrued for employees under the Comprehensive Employment Training Act. At December 31, 2010, no final determination has been made regarding the disposition of the funds.

NOTE 8 - Grants Receivable:

At December 31, 2010, grants receivable consisted of the following:

	Blighted Properties Program <u>Fund</u>	Neighborhood Stabilization <u>Program 2</u>	Louisiana Land Trust <u>Fund</u>	Louisiana Recovery Authority <u>Fund</u>	<u>Total</u>
City of New Orleans	\$2,367,333	\$ -0-	\$ -0-	\$ -0-	\$2,367,333
State of Louisiana	-0-	-0-	1,061,363	324,931	1,386,294
Neighborhood Stabilization Program 2	<u>-0-</u>	<u>260,756</u>	<u>-0-</u>	<u>-0-</u>	<u>260,756</u>
Total	<u>\$2,367,333</u>	<u>\$260,756</u>	<u>\$1,061,363</u>	<u>\$324,931</u>	<u>\$4,014,383</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Leases:

NORA leases vehicles, equipment, and commercial office space under operating leases. Total cost of such leases was \$195,011 for the year ended December 31, 2010. The future minimum lease payments for leases for the five years (5) are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$183,942
2012	96,418
2013	<u>593</u>
Total	<u>\$280,953</u>

NOTE 10 - Retirement System:

Plan Description

Currently, NORA participates in a defined contribution plan administered by a third-party administrator (Horne, LLP). The qualified, IRS 457(b), salary deferral plan was established May 1, 2008, for eligible employees of NORA. Plan provisions and contribution requirements are established or amended by NORA's Board of Commissioners. This plan provides that the employee may voluntarily contribute to the NORA plan, and NORA will match employee contributions up to 5% of the employees' annual salary. The NORA plan includes thirty-four (34) participants. For the year ended 2010, actual contributions by plan participants were \$136,689 with a \$79,367 match from NORA. Participants of the plan vest after two years of service. The 457(b) plan replaced the multi-employer defined benefit pension retirement plan operated by the State of Louisiana.

Information on the plan can be obtained at the following address and contact number:

John Hancock
P. O. Box 600
Buffalo, NY 14201-0600
Telephone: (800) 333-0963

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Risk Management:

NORA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which NORA carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 12 - Concentration of Credit Risk:

NORA receives primarily all of its revenues from the City of New Orleans and the State of Louisiana as a pass-through grant from the U.S. Department of Housing and Urban Development. If the amount of revenues received from the City of New Orleans and the State falls below contract levels, NORA's operating results could be adversely affected.

NOTE 13 - Contingencies:

NORA is subject to possible examinations by regulatory agencies who determine compliance with laws and regulations governing grants provided to NORA. These examinations may result in required refunds by NORA to agencies and/or program beneficiaries.

NORA is named in various suits. It is Counsel's opinion at December 31, 2010 and June 28, 2011, that outcomes of these matters will not have an adverse effect on the financial condition of NORA. Accordingly, no provision has been made in the financial statements for these contingencies.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - Compensated Absences Payable:

An analysis of compensated absences payable follows:

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Beginning	\$ 65,650	\$10,282	\$ 75,932
Addition	42,783	3,857	46,640
Retirement	<u>(15,905)</u>	<u>(6,181)</u>	<u>(22,086)</u>
Ending	<u>\$ 92,528</u>	<u>\$ 7,958</u>	<u>\$100,486</u>

Of the total non-current compensated absences payable at December 31, 2010 \$-0- is due within one year of December 31, 2010.

NOTE 15 - Deposits Held for Buyers:

At December 31, 2010, **NORA** held deposits in the amount of \$21,693 on behalf of potential buyers participating in its REALM and Louisiana Land Trust (Lot Next Door) programs.

NOTE 16 - Per Diem for Board of Commissioners:

During the year ended December 31, 2010, no board member received per diem in his/her capacity as a Commissioner.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 17 - Amounts Receivable

At December 31, 2010, amounts receivable consisted of the following:

	<u>General Fund</u>	<u>Blighted Properties Program/ NHIF Funds</u>	<u>Moderate Rehabilitation Program/ Real Estate Acquisition and Land Banking Mechanism</u>	<u>Neighborhood Stabilization Program 2</u>	<u>Total</u>
City of New Orleans	\$ -0-	\$ 6,855	\$ -0-	\$ -0-	\$ 6,855
Other	<u>107,458</u>	<u>14,899</u>	<u>1,048</u>	<u>40,385</u>	<u>163,790</u>
Total	<u>\$107,458</u>	<u>\$21,754</u>	<u>\$1,048</u>	<u>\$40,385</u>	<u>\$170,645</u>

NOTE 18 - Adjustment to Beginning Net Assets:

Adjustment to beginning net assets is to properly state the effect of various capital asset transactions within the governmental and business-type activities.

NOTE 19 - Line-of-Credit:

In May of 2008, NORA's board approved issuance of a line-of-credit (LOC) to provide financing for the acquisition of blighted, derelict, vacant and tax delinquent properties, as well as, the associated pre-acquisition costs. This LOC assists NORA in its primary mission of acquiring and bundling properties into clusters suitable for development and executing a plan to put the properties back into commerce for redevelopment. Also, the State Bond Commission approved a line of credit with Fannie Mae for \$2,000,000 with a 3-month London Interbank Offered Rate plus 225 basis points, adjusted quarterly and due on or before August 1, 2013.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 19 - Line-of-Credit, Continued:

At December 31, 2010, \$1,500,000 had been drawn against the LOC. The indebtedness is reported in the governmental activities.

Changes in the LOC for the year ended December 31, 2010 follows:

<u>Description</u>	<u>Balance</u> <u>January 1, 2010</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance</u> <u>December 31, 2010</u>	<u>Due Within</u> <u>One Year</u>
Line-of-Credit	<u>\$1,500,000</u>	<u>\$500,000</u>	<u>\$(500,000)</u>	<u>\$1,500,000</u>	<u>\$1,000,000</u>

NOTE 20 - Recoverable Grants Payable:

At December 31, 2010, NORA is in receipt of recoverable grants as follows:

Ford Foundation	\$ 500,000
Gates Foundation	<u>1,000,000</u>
Total	<u>\$1,500,000</u>

The Ford Foundation grant in the amount of \$500,000, serves to provide collateral for a revolving line-of-credit that will supply capital for acquisition and resale of vacant and abandoned properties for effective reuse. The grant may also be used to repay outstanding senior debt obligations. The grant is available over a period of five (5) years with repayment of the grant amount of \$500,000 due in full on April 30, 2013.

At December 31, 2010, the cash from the grant was invested in a certificate of deposit. According to the terms of the grant agreement, the income from the investment will accrue to the investment account see NOTE 22.

Similarly, the Gates Foundation grant payable provides collateral for a revolving line-of-credit that will supply capital. The grant is also available over a period of five (5) years and payable in full on November 30, 2013.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 21 - Prepaid Items and Other Assets:

At December 31, 2010, prepaid items and other assets consisted of deposits on unimproved land and structures of \$50,912.

NOTE 22 - Investments:

At December 31, 2010 investments consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
Certificate of Deposit	.25%	11/30/2011	\$500,000	\$500,000
Certificate of Deposit	1.75%	01/09/2012	<u>258,756</u>	<u>258,756</u>
Total			<u>\$758,756</u>	<u>\$758,756</u>

See NOTE 20 for additional discussion.

NOTE 23 - Amounts Payable:

At December 31, 2010, accounts payable consisted of the following:

Amounts payable - vendors and contractors	\$2,014,239
Amounts payable - State of Louisiana	<u>6,676,400</u>
	<u>\$8,690,639</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 24 - Financial Instruments:

During the year ended December 31, 2010, **NORA** executed an agreement with a bank to provide the use of financial derivatives to manage exposure to interest rate fluctuation risk. Also, **NORA** paid origination fees of \$60,000. The amount of the payment has not been capitalized for amortization in the accompanying financial statement because management considers the amount to be immaterial. At December 31, 2010, the transaction parameters and approximate market value follows:

Notional:	<u>\$4,000,000</u>
Effective Date:	10/14/2008
Maturity Date:	07/01/2013
Settlements:	Quarterly
Floating Rate Index:	Libor 3M
Strike Rate:	6.75%
Approximate Market Value as of 12/31/10:	<u>\$ 3,710</u>

NOTE 25 - Deferred Revenues:

At December 31, 2010, deferred revenues represent funds that **NORA** must satisfy grant conditions prior to the recognition of revenue. The City of New Orleans' awards represent the cost of property acquired with grant funds. A detail by funding source follows:

City of New Orleans	\$6,904,822
Greater New Orleans Foundation	9,078
Neighborhood Stabilization Program 2	<u>40,385</u>
	<u>\$6,954,285</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 26 - Subsequent Events:

Subsequent to year-end, **NORA** has been awarded and received commitments from the City of New Orleans and other sources (both public and private) for funding.

NORA's new major sources of funding for 2011 consisted primarily of the following:

<i>City of New Orleans</i>	\$3.00M
Funding for administrative and program delivery costs acquisition and redevelopment for blight reduction and alternative land use.	

<i>Hazard Mitigation Grant Program</i>	
(through City of New Orleans)	\$150M
FEMA funding for a study, environmental assessment, design and permitting for a storm water mitigation/drainage upgrade project in the "Gentilly" Area. The funding is for PHASE 1 of the proposed project. Based upon the results of the study and required assessments, an additional \$13.5M in funding will be approved.	

Also, see page 10 for additional discussion regarding **NORA's** funding for 2011.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 27 - Loans Receivable:

At December 31, 2010, loans receivable consisted of three loans as follows:

Pontchartrain Park	
Community Development; 4% interest	
due in thirty-six months from	
July 1, 2009	\$ 750,000
Tulane Land Holdings; 0% interest	
due in full on November 18, 2016	750,000
St. Claude/St. Roch Revitalization LLC;	
1% interest due and payable beginning	
December 10, 2010 on account of all	
interest that shall have accrued on the Note	
from August 16, 2010 through and including	
November 30, 2010 and in arrears on the	
tenth (10 th) day of each month thereafter	
commencing January 10, 2011 for each prior	
month, with principal due on May 1, 2018	1,500,000
Less unamortized premium	<u>(25,723)</u>
	<u>\$2,974,277</u>

NOTE 28 - Revolving Loan:

Revolving loan at December 31, 2010, represents CDBG funds provided to **NORA** for revolving loans to entities aimed at the rehabilitation and redevelopment within the City of New Orleans. See NOTE 27 for additional discussion.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 29 - Related Party Transactions:

During the year ended December 31, 2010, **NORA** donated to NORU, Inc. (a related party), \$242,200 in real property. Further NORU paid fees in the amount of \$2,500 to **NORA** for the year ended December 31, 2010 in connection with the sale of real property by NORU.

NOTE 30 - Restricted Net Assets:

Real property donated by **NORA** to its related party NORU is subject to specific future use and/or disposition pursuant to the requirements of CBDG funded activities.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Our report on our audit of the financial statements of the **New Orleans Redevelopment Authority (NORA)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations"* and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information (Exhibits A and B) which is prepared in accordance with accounting principles generally accepted in the United States of America, has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 28, 2011

NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET--GENERAL FUND
DECEMBER 31, 2010

	<u>General Fund</u>	<u>Revolving Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 18,428	\$ -0-	\$ 18,428
Advance	40,000	-0-	40,000
Amounts receivable	86,002	-0-	86,002
Due from other funds	2,067,975	908,062	2,976,037
Land and land improvements	<u>12,360</u>	<u>-0-</u>	<u>12,360</u>
Total assets	<u>\$2,224,765</u>	<u>\$908,062</u>	<u>\$3,132,827</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Bank overdraft	\$ -0-	\$453,030	\$ 453,030
Amounts payable	6,000	-0-	6,000
Unearned grant	9,078	-0-	9,078
Advances-- City of New Orleans	9,783	-0-	9,783
Due to other funds	1,844,364	303,275	2,147,639
Due to City of New Orleans	<u>44,717</u>	<u>151,757</u>	<u>196,474</u>
Total liabilities	<u>1,913,942</u>	<u>908,062</u>	<u>2,822,004</u>
<u>Fund balances</u>			
Unassigned	93,098	-0-	93,098
Unspendable	<u>217,725</u>	<u>-0-</u>	<u>217,725</u>
Total fund balances	<u>310,823</u>	<u>-0-</u>	<u>310,823</u>
Total liabilities and fund balances	<u>\$2,224,765</u>	<u>\$908,062</u>	<u>\$3,132,827</u>

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General Fund</u>	<u>Revolving Fund</u>	<u>Total</u>
<u>Revenues</u>			
Interest income	\$ 2,917	\$ -0-	\$ 2,917
Other income	<u>4,847</u>	<u>-0-</u>	<u>4,847</u>
Total revenues	<u>7,764</u>	<u>-0-</u>	<u>7,764</u>
<u>Expenditures</u>			
Salaries and employee benefits	16,060	-0-	16,060
Convention and travel	1,743	-0-	1,743
Repairs and maintenance	1,577	-0-	1,577
Contractual services	21,469	-0-	21,469
Telephone	99	-0-	99
Supplies	2,372	-0-	2,372
Automobile expenses	504	-0-	504
Postage and printing	34	-0-	34
Insurance	5	-0-	5
Interest expense and fees	33,415	-0-	33,415
Office furniture and equipment	19	-0-	19
Rent	6,045	-0-	6,045
Acquisitions/appraisal expense	7,400	-0-	7,400
Legal settlement	35,647	-0-	35,647
Other	<u>4,331</u>	<u>-0-</u>	<u>4,331</u>
Total expenditures	<u>130,720</u>	<u>-0-</u>	<u>130,720</u>
Operating loss	<u>(122,956)</u>	<u>-0-</u>	<u>(122,956)</u>
Other financing sources (uses):			
Operating transfer in (out)	<u>(7,757)</u>	<u>-0-</u>	<u>(7,757)</u>
Total other financing sources (uses)	<u>(7,757)</u>	<u>(-0-)</u>	<u>(7,757)</u>
Net change in fund balance	(130,713)	-0-	(130,713)
Fund balance, beginning of year	<u>441,536</u>	<u>-0-</u>	<u>441,536</u>
Fund balance, end of year	<u>\$ 310,823</u>	<u>\$ -0-</u>	<u>\$ 310,823</u>

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND--
BUDGETED AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Other income	\$ 4,847	\$ 4,847	\$ -0-
Interest income	<u>2,917</u>	<u>2,917</u>	<u>-0-</u>
Total revenues	<u>7,764</u>	<u>7,764</u>	<u>-0-</u>
<u>Expenditures</u>			
Salaries and employee benefits	16,060	16,060	-0-
Convention and travel	1,743	1,743	-0-
Repairs and maintenance	1,577	1,577	-0-
Contractual services	21,469	21,469	-0-
Telephone	99	99	-0-
Supplies	2,372	2,372	-0-
Automobile expenses	504	504	-0-
Postage and printing	34	34	-0-
Insurance	5	5	-0-
Interest expense and fees	33,415	33,415	-0-
Office furniture and equipment	19	19	-0-
Rent	6,045	6,045	-0-
Acquisitions/appraisal expense	7,400	7,400	-0-
Legal settlement	35,647	35,647	-0-
Other	<u>4,331</u>	<u>4,331</u>	<u>-0-</u>
Total expenditures	<u>130,720</u>	<u>130,720</u>	<u>-0-</u>
Excess (deficiency) of revenues over (under) expenditures before financing sources (uses)	<u>(122,956)</u>	<u>(122,956)</u>	<u>-0-</u>
Other financing sources (uses):			
Operating transfer in	<u>(7,757)</u>	<u>(7,757)</u>	<u>-0-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,713)</u>	<u>(130,713)</u>	<u>-0-</u>
Net change in fund balance	<u>(130,713)</u>	<u>(130,713)</u>	<u>\$ -0-</u>
Fund balance, beginning of year	<u>441,536</u>	<u>441,536</u>	
Fund balance, end of year	<u>\$ 310,823</u>	<u>\$ 310,823</u>	

See Independent Auditors' Report and Supplemental Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
BLIGHTED PROPERTIES REMOVAL PROGRAM FUND--ANNUAL
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u>		
<u>Revenues</u>				
Grants	<u>\$2,000,000</u>	<u>\$2,787,500</u>	<u>\$818,047</u>	<u>\$1,969,453</u>
Total revenues	<u>2,000,000</u>	<u>2,787,500</u>	<u>818,047</u>	<u>1,969,453</u>
<u>Expenditures</u>				
Salaries and employee benefits	816,397	966,797	530,725	436,072
Contractual services	1,065,103	1,395,128	212,120	1,183,008
Equipment and property	64,000	366,888	56,222	310,666
Supplies and materials	<u>54,500</u>	<u>58,687</u>	<u>23,657</u>	<u>35,030</u>
Total expenditures	<u>2,000,000</u>	<u>2,787,500</u>	<u>822,724</u>	<u>1,964,776</u>
Operating transfer	<u>-0-</u>	<u>-0-</u>	<u>4,677</u>	<u>(4,677)</u>
Net change in fund balance	-0-	-0-	-0-	<u>\$ -0-</u>
Fund balance, beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
BLIGHTED PROPERTIES REMOVAL PROGRAM FUND-TARGET ZONE
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Final</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Grants	<u>\$772,490</u>	<u>\$855,539</u>	<u>\$662,192</u>	<u>\$193,347</u>
Total revenues	<u>772,490</u>	<u>855,539</u>	<u>662,192</u>	<u>193,347</u>
<u>Expenditures</u>				
Salaries and employee benefits	76,611	141,136	240,062	(98,926)
Contractual services	467,671	447,543	399,616	47,927
Equipment and property	209,349	260,901	30,478	230,423
Supplies and materials	<u>18,859</u>	<u>5,959</u>	<u>4,354</u>	<u>1,605</u>
Total expenditures	<u>772,490</u>	<u>855,539</u>	<u>674,510</u>	<u>181,029</u>
Operating transfer in	<u>-0-</u>	<u>-0-</u>	<u>12,318</u>	<u>12,318</u>
Net change in fund balance	-0-	-0-	-0-	\$ <u>-0-</u>
Fund balance, beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
NEIGHBORHOOD STABILIZATION PROGRAM 2
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final</u>		
<u>Revenues</u>				
Grants	<u>\$9,919,034</u>	<u>\$9,919,034</u>	<u>\$1,293,591</u>	<u>\$8,625,443</u>
Total revenues	<u>9,919,034</u>	<u>9,919,034</u>	<u>1,293,591</u>	<u>8,625,443</u>
<u>Expenditures</u>				
Eligible A (Administrative)	992,737	992,737	780,604	212,133
Eligible B	922,000	922,000	471,620	450,380
Eligible C	380,000	380,000	-0-	380,000
Eligible D	675,964	675,964	41,367	634,597
Eligible E	<u>6,948,333</u>	<u>6,948,333</u>	<u>-0-</u>	<u>6,948,333</u>
Total expenditures	<u>9,919,034</u>	<u>9,919,034</u>	<u>1,293,591</u>	<u>8,625,443</u>
Operating transfer in	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	-0-	-0-	-0-	<u>\$ -0-</u>
Fund balance, beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

See Independent Auditors' Report on Supplementary Information.

SCHEDULE I

NEW ORLEANS REDEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Program Grantor/Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
PROGRAMS FUNDED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Neighborhood Stabilization Program 2	14.256	<u>\$1,293,591</u>
Sub-total		<u>1,293,591</u>
U.S. Small Business Administration:		
Small Business Administration	59.xxx	<u>2,877</u>
Sub-total		<u>2,877</u>
Pass Through CDBG Funds as Subgrantee of the City of New Orleans:		
Blighted Properties Program - Annual	14.218	818,047
Blighted Properties Program - Target	14.218	662,192
Blighted Properties Program - Disaster	14.218	1,308,958
Blighted Properties Program - Expanded Quick Take	14.218	<u>312,794</u>
Sub-total pass through funds		<u>3,101,991</u>
Pass Through UDAG Funds as Subgrantee of the City of New Orleans:		
Blighted Properties Program Fund	14.221	<u>35,826</u>
Sub-total pass through funds		<u>35,826</u>
Pass Through CDBG Funds as Subgrantee of the State of Louisiana:		
Lot Next Door	14.218	1,555,925
Blighted Properties Program	14.228	1,007,075
Hazard Utilization Program Grant	14.xxx	<u>987</u>
Sub-total pass through funds		<u>2,563,987</u>
Total all programs		<u>\$6,998,272</u>

NOTE:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal activity of NORA and is presented on a modified accrual basis of accounting. The information on this schedule is presented in accordance with other requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations."

See Independent Auditors' Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and major fund of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2010, and have issued our report thereon dated June 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NORA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of NORA's internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of NORA's internal control over financial reporting.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting, Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant or material weaknesses have been identified. However, as discussed in the following paragraphs, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses and other significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A significant deficiency is a deficiency or a combination of control deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2010-02 and 2010-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by NORA on a timely basis.

We consider the deficiencies described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2010-01 and 2010-04 to be material weaknesses. Also, we noted other matters involving the internal control over financial reporting that we have reported to management of NORA in a separate letter dated June 28, 2011.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NORA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

NORA's response to the findings identified in our audit are described in the accompanying Summary Schedule of Finding and Questioned Costs. We did not audit NORA's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana and the City of New Orleans and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 28, 2011



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Compliance

We have audited the compliance of **New Orleans Redevelopment Authority (NORA)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **NORA's** major federal program for the year ended December 31, 2010. **NORA's** major federal programs are identified in the Summary of Auditor's Results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **NORA's** management. Our responsibility is to express an opinion on **NORA's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements previously referred to that could have a direct and material effect on a major federal program occurred.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Compliance, Continued

An audit includes examining, on a test basis, evidence about NORA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on NORA's compliance with those requirements.

In our opinion, NORA complied, in all material respects, with the requirements previously referred to that are applicable to its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of non compliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2010-09 through 2010-16.

Internal Control Over Compliance

Management of NORA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered NORA's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NORA's internal control over compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Internal Control Over Compliance, Continued

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in NORA's internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses as defined in the subsequent paragraphs. However, as discussed in the next paragraphs, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other significant deficiencies.

A deficiency in NORA's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2010-06 and 2010-07 to be significant deficiencies.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected by NORA on a timely basis.

We consider the deficiencies in internal control over compliance described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2010-05 and 2010-08 to be material weaknesses.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

NORA's response to the findings identified in our audit are described in the accompanying Summary Schedule of Findings and Questioned Costs under the caption "Management's Response" and "Current Status". We did not audit NORA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana, and the City of New Orleans and is not intended to, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 28, 2011

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- | | |
|--|-----|
| • Material weakness(es) identified? | Yes |
| • Significant deficiency (ies) identified? | Yes |

Noncompliance material to financial statements noted?	No
---	----

Federal Awards

Internal control over major programs:

- | | |
|--|-----|
| • Material weakness(es) identified? | Yes |
| • Significant deficiency (ies) identified? | Yes |

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
--	-----

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Blighted Properties Program(CDBG) - Annual
14.218	Blighted Properties Program (CDBG) - Disaster
14.256	Neighborhood Stabilization Program 2
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs

Reference Number

2010-01

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management of **NORA** is responsible for the implementation of a design and operation of internal control to safeguard and protect the assets of **NORA**.

Furthermore, **NORA** is responsible for the preparation of complete and accurate financial statements to include the required disclosures.

Condition

As **NORA** continues to grow in terms of its level of funding, depth of program activities and number of employees, the need to align its growth to the level of resources managed, staffing capacity, technology updates to include the development and updates to its accounting, human resources, program and management policies and procedures becomes very critical to its ultimate success in managing its resources.

As a part of its growth strategy, **NORA** should continue to enhance the level of supervisory oversight, staffing capacity and effective coordination of the various organizational functions to ensure the complete and accurate accounting and reporting of all financial transactions and program activities to include the effective monitoring of compliance with its program goals.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-01

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Risk associated with non-compliance in its financial and program requirements and resulting potential questioned costs.

Cause

Significant growth in resources managed by NORA.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as NORA continues to expand its financial operations, greater emphasis should be placed on its accounting and financial reporting processes. Further, an enhanced coordination of all facets of the operation is critical to ensure compliance with all aspects of its program goals.

Management's Response and Corrective Action Plan

Management recognizes the need to update its current policies and procedures in addition to its reporting system. The financial policies and procedures are currently being revised to adequately reflect the reporting and approval structure as well as, program reimbursement requirements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-01

Management's Response and Corrective Action Plan, Continued

Management recognizes the need to coordinate departmental efforts. NORA is currently working with HUD provided technical assistance to document its financial and programmatic activities in a cohesive format that can be utilized for any program.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2010-02

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management of NORA is responsible for the implementation of a design and operation of internal control over significant accounts or processes to safeguard and protect the assets of NORA. Further, management is responsible for the adequate documentation of the components of internal control.

Condition

Our review of NORA's internal control over its financial reporting revealed the following conditions:

- o In one (1) instance, we noted where a listed check signer is no longer employed by NORA.
- o A wire transfer transactions tested, revealed the lack of documented authorization by the designated staff; however, a supporting e-mail requesting the transfer of funds was attached.
- o A cash receipt totaling \$300 for payment toward property was receipted and deposited on August 31, 2010, but was not recorded in the August 2010 deposit detail. The amount was subsequently recorded in the September 2010 deposit detail.

We noted the lack of documented reconciliation of all cash receipt tickets issued for our test month August 2010, to the deposit detail. Further, we noted that the reconciliation of the receipt book was not a part of NORA's monthly reconciliation process.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-02

Condition, Continued

- o A difference of \$1,245 was noted between the cash register balance dated August 31, 2010 on the bank reconciliation and the ending general ledger balance for the same test period. The difference is due to including two checks voided on August 17, 2010 (check numbers 14572 and 14590) as outstanding as of August 31, 2010.
- o Four (4) checks totaling \$4,684 violated NORA's stale dated check policy of one hundred and eighty (180) days outstanding. Three (3) of the four (4) totaling \$4,409 were more than two years outstanding.
- o Two (2) of twenty-nine (29) cash disbursement transactions tested were not supported with a vendor invoice.
- o One (1) of twenty-nine (29) cash disbursement transactions tested did not include an attached request for and authorization for payment.
- o Six (6) of the twenty-nine (29) cash disbursement transactions tested were not canceled or stamped "paid" to prevent future use.
- o One (1) of twenty-nine (29) cash disbursement transactions tested reflected no evidence of mathematical verification.
- o One (1) of twenty-nine (29) cash disbursement transactions tested revealed an instance where the invoice attached and request for payment lacked evidence of approval by the Department Director.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-02

Condition, Continued

- o Our testing of credit card purchases revealed instances where receipts for the expenditures were missing invoices, not canceled to prevent future use, the business purpose was not identified, and the lack of evidence of management's approval for payment.
- o For payroll tested, we noted where the employer certification and signature section on one of four 1-9's was not completed.
- o We noted no approved overtime request for 2.5 hours of retroactive overtime paid during the pay period ended August 18, 2010.
- o The allocations of time charged for one (1) of five (5) timesheets tested reflected errors in amount allocated to the respective programs.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Completeness of NORA's financial statements and program reporting to include compliance with program goals.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-02

Cause

Significant growth in resources managed by NORA.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as NORA continues to expand its operations, greater emphasis should be placed on its program, accounting and financial reporting processes to include effective monitoring of compliance with all aspects of its grant management.

Also, the necessary updates to its financial and program policies and procedures should be evaluated to ensure continuous alignment with its growth and completeness.

Management's Response and Corrective Action Plan

One financial institution that NORA conducts business with responded to our auditor that the previous executive director is listed as an authorized check signer for a certificate of deposit account. A new signature card will be completed immediately.

Wire transfers are requested by letter to the bank with authorized signers indicating approval of the transaction.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-02

Management's Response and Corrective Action Plan, Continued

NORA will include in the policies and procedures reconciliation of the deposit checks to the cash receipts book on a monthly basis, procedures for depositing funds, cancelling paid documents, documenting mathematical accuracy of invoices and invoice approval.

All federally required employment documents will be completed accurately and monitored periodically for completeness.

One employee did not submit their time in the appropriate payroll period; hence, those hours were reported on the subsequent payroll. There was no overtime paid because it was not worked during the period reviewed.

To properly report and record payroll transactions, NORA has implemented an online time and labor reporting system in 2011.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2010-03

Federal Program

Blighted Properties Program (Louisiana Land Trust). (see Schedule of Expenditures of Federal Awards).

Criteria

Management of NORA is responsible for the preparation of complete and accurate financial statements to include the required footnote disclosures.

Condition

Our review of Louisiana Land Trust donated properties for completeness in recorded amounts, revealed an instance where the recorded cost on NORA's general ledger exceeded the documented appraised value.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Completeness of NORA's financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-03

Cause

Significant growth in resources managed by NORA.

Recommendation

NORA should reevaluate its internal monitoring and supervisory oversight to ensure the completeness in all recorded transactions.

Management's Response and Corrective Action Plan

In an effort to properly record transactions with underlying records, legal documents identifying the transfer of property are utilized to record the transactions. All current appraisals will be utilized in recording future entries.

NORA will continue to expand its processes and procedures to ensure accuracy of documentation across all departments

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2010-04

Federal Program

Blighted Properties Program - Annual, Target, Disaster and Expanded Quicktake (see Schedule of Expenditures of Federal Awards).

Criteria

Management of **NORA** is responsible for the preparation of complete and accurate financial statements to include the required footnote disclosures.

Condition

Currently, **NORA** does not have a centralized and complete listing of all inventory of real property for all real properties purchased using CDBG funding. Such a schedule should include at a minimum, physical address, the cost of acquisition, date of acquisition and funding source.

Further, **NORA's** executed CEA with the City requires at a minimum, semi-annual reconciliation of its physical inventory of unexpendable property acquired with City funds for submission to the City within ten days of such reconciliation. The agreement also requires that non-expendable property acquired vest in the City upon delivery. It is our understanding that a report was submitted to the City in September 2010.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-04

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Completeness of NORA's financial statements.

Cause

No established process in place to provide for the capture of the required information.

Recommendation

We recommend that NORA prepare and update on a timely basis, a listing to include the physical address, cost and date of acquisition, funding source etc.

The listing should reconcile to NORA's general ledger after the effect of GASB 34 reporting requirements. Further, the necessary physical inventory periodic reporting of its non-expendable property should be undertaken pursuant to the CEA.

Management's Response and Corrective Action Plan

NORA has improved its method of data maintenance to implement an electronic system to replace the current data base. Management will provide the City of New Orleans with required reports as stipulated in the CEA on a timely basis.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs

Reference Number

2010-05

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management of NORA is responsible for the implementation of a design and operation of internal control to safeguard and protect the assets of NORA.

Furthermore, NORA is responsible for the preparation of complete and accurate financial statements to include the required disclosures.

Condition

As NORA continues to grow in terms of its level of funding, depth of program activities and number of employees, the need to align its growth to the level of resources managed, staffing capacity, technology updates to include the development and updates to its accounting, human resources, program and management policies and procedures becomes very critical to its ultimate success in managing its resources.

As a part of the its growth strategy, NORA should continue to enhance the level of supervisory oversight, staffing capacity and effective coordination of the various organizational functions to ensure the complete and accurate accounting and reporting of all financial transactions and program activities to include the effective monitoring of compliance with its programs goals.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-05

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Risk associated with noncompliance in NORA's financial and program requirements and resulting potential questioned costs.

Cause

Significant growth in resources managed by NORA.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as NORA continues to expand its financial operations, greater emphasis should be placed on its accounting and financial reporting processes. Further, an enhanced coordination of all facets of the operation is critical to ensure compliance with all aspects of its program goals.

Management's Response and Corrective Action Plan

Management recognizes the need to update its current policies and procedures in addition to its reporting system. The financial policies and procedures are currently being revised to adequately reflect the reporting and approval, as well as, program reimbursement requirements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-05

Management's Response and Corrective Action Plan, Continued

Management recognizes the need to coordinate departmental efforts. NORA is currently working with the HUD provided technical assistance team to document its financial and programmatic activities in a cohesive format that can be utilized for any program.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-06

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management of NORA is responsible for the implementation of a design and operation of internal control over significant accounts or processes to safeguard and protect the assets of NORA. Further, management is responsible for the adequate documentation of the components of internal control.

Condition

Our review of NORA's internal control over its compliance reporting revealed the following conditions:

- o In one (1) instance, we noted where a listed check signer is no longer employed by NORA.
- o One of five (5) cash receipt transactions tested revealed the lack of documented authorization by the designated staff; however, a supporting e-mail requesting the transfer of funds was attached.
- o A cash receipt totaling \$300 for payment toward property was receipted and deposited on August 31, 2010, but was not recorded in the August 2010 deposit detail. The amount was subsequently recorded in the September 2010 deposit detail.

We noted the lack documented reconciliation of all cash receipt tickets issued for our test month August 2010, to the deposit detail. Further, we noted that the reconciliation of the receipt book was not a part of NORA's monthly reconciliation process.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-06

Condition, Continued

- o A difference of \$1,245 was noted between the cash register balance dated August 31, 2010 on the bank reconciliation and the ending general ledger balance for the same test period. The difference is due to including two checks voided on August 17, 2010 (check numbers 14572 and 14590) as outstanding as of August 31, 2010.
- o Four (4) checks totaling \$4,684 violated NORA's stale dated check policy of one hundred and eighty (180) days outstanding. Three (3) of the four (4) totaling \$4,409 were more than two years outstanding.
- o Two (2) of twenty-nine (29) cash disbursement transactions tested were not supported with a vendor invoice.
- o One (1) of twenty-nine (29) cash disbursement transactions tested did not include an attached request for and authorization for payment.
- o Six (6) of the twenty-nine (29) cash disbursement transactions tested were not canceled or stamped "paid" to prevent future use.
- o One (1) of twenty-nine (29) cash disbursement transactions tested reflected no evidence of mathematical verification.
- o One (1) of twenty-nine (29) cash disbursement transactions tested revealed an instance where the invoice attached and request for payment lacked evidence of approval by the Department Director.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-06

Condition, Continued

- o Our testing of credit card purchases revealed instances where the receipts for the expenditures were missing invoices not canceled to prevent future use, the business purpose was not identified, and the lack of evidence of management's approval for payment.
- o For payroll tested we noted where the employer certification and signature section on one of four 1-9's tested was not completed.
- o We noted no approved overtime request for 2.5 hours of retroactive overtime paid during the pay period ended August 18, 2010.
- o The allocations of time charged for one (1) of five (5) timesheets tested reflected errors in amount allocated to the respective programs.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Completeness of NORA's financial statements and program reporting to include compliance with program goals.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-06

Cause

Significant growth in the resources managed by NORA.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as NORA continues to expand its operations, greater emphasis should be placed on its program, accounting and financial reporting processes to include effective monitoring of compliance with all aspects of its grant management.

Also, the necessary updates to its financial and program policies and procedures should be evaluated to ensure continuous alignment with its growth and completeness.

Further, updates should include policies for subrecipient monitoring in areas such as, statement of work, records and reports, program income and uniform administrative requirements (24CFR Section 570.503), as applicable.

Management's Response and Corrective Action Plan

One financial institution that NORA conducts business with responded to our auditor that the previous executive director is listed as an authorized check signer for a certificate of deposit account. A new signature card will be completed immediately.

Wire transfers are requested by letter to the bank with authorized signers indicating approval of the transaction.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-06

Management's Response and Corrective Action Plan, Continued

NORA will include in the policies and procedures reconciliation of the deposited checks to the cash receipts book on a monthly basis, procedures for depositing funds, cancelling paid documents, documenting mathematical accuracy of invoices and invoice approval.

All federally required employment documents will be completed accurately.

One employee did not submit their time in the appropriate payroll period; hence, those hours were reported on the subsequent payroll. There was no overtime paid because it was not worked during the period reviewed.

To properly report and record payroll transactions, NORA has implemented an online time and labor reporting system in 2011.

NORA has updated its policies and procedures as it relates to monitoring its subrecipients participating in NSP2 program. NORA has developed general administrative procedures consistent with NSP2 program requirements and regulations and is implementing those policies.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-07

Federal Program

Blighted Properties Program - Louisiana Land Trust (see Schedule of Expenditures of Federal Awards).

Criteria

Management of **NORA** is responsible for the preparation of complete and accurate financial statements to include the required footnote disclosures.

Condition

Our review of Louisiana Land Trust donated properties for completeness in recorded amounts, revealed an instance where the recorded cost on **NORA's** general ledger exceeded the documented appraised value.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Completeness of **NORA's** financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-07

Cause

Significant growth in resources managed by NORA.

Recommendation

NORA should reevaluate its internal monitoring and supervisory oversight to ensure the completeness in all recorded transactions.

Management's Response and Corrective Action Plan

In an effort to properly record transactions with underlying records, legal documents identifying the transfer of property are utilized to record the transactions. All current appraisals will be utilized in recording future entries.

NORA will continue to expand its processes and procedures to ensure accuracy of documentation across all department.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-08

Federal Program

Blighted Properties Program -Annual, Target, Disaster and Expanded Quicktake (see Schedule of Expenditure of Federal Awards).

Criteria

Management of **NORA** is responsible for the preparation of complete and accurate financial statements to include the required footnote disclosures.

Condition

Currently, **NORA** does not have a centralized and complete listing of all inventory of real property for all real properties purchased using CDBG funding. Such a schedule should include at a minimum, physical address, the cost of acquisition, date of acquisition and funding source.

Further, **NORA's** executed LEA with the City requires at a minimum, semi-annual reconciliation of its physical inventory of unexpendable property acquired with City funds for submission to the City within ten days of such reconciliation. The agreement also requires that non-expendable property acquired vest in the City upon delivery. It is our understanding that a report was submitted to the City in September 2010.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-08

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Completeness of NORA's financial statements.

Cause

No formal established process in place to provide for the capture of the required information.

Recommendation

We recommend that NORA prepare and update on a timely basis, a listing to include the physical address, cost and date of acquisition, funding source etc. The listing should reconcile to NORA's general ledger after the effect of GASB 34 reporting requirements.

Further, the necessary physical inventory periodic reporting of its non-expendable property should be undertaken pursuant to the CEA.

Management's Response and Corrective Action Plan

NORA has improved its method of data maintenance to implement an electronic system to replace the current data base. Management will provide the City of New Orleans with required reports as stipulated in the CEA on a timely basis.

Policies and procedures are being updated to include reconciliation of subledgers to the general ledger on a monthly basis.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-09

Federal Program

Neighborhood Stabilization Program 2 - NSP2 (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to the requirements of OMB Circular A-87 cost principles for State, Local and Indian Tribal Governments, Governmental units claiming indirect cost under Federal Awards must prepare an indirect cost rate proposal.

Condition

Currently, NORA does not have an approved Indirect Cost Rate for its NSP2 grant.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Noncompliance with the requirements of OMB A-87.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-09

Cause

Misinterpretation of the requirements of OMB Circular A-87.

Recommendation

NORA should develop the necessary proposal and related supporting documents for approval by HUD.

Management's Response and Corrective Action Plan

NORA is currently working with HUD provided technical assistance and other consultants to develop a plan for a final rate for 2010 and a provisional rate for 2011, utilizing the final audit report.

No reimbursement will be requested from HUD until a plan is approved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-10

Federal Program

Blighted Properties Program and Neighborhood Stabilization Program 2 (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to the requirements of 2 CFR, part 176, subpart C Section 1606 of ARRA and the contractual agreement between NORA and HUD, City and State of Louisiana, NORA is required to comply with the requirements of the Davis Bacon Act.

Further, 24 CFR dictates compliance with the Act for Construction contract cost over \$2,000.

Condition

Our review of selected construction contracts revealed the lack of compliance with the requirements of the Davis Bacon Act. Further, we noted no comprehensive system in place to ensure and effective and efficient monitoring of the Act for contracts executed with subrecipients.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-10

Effect or Potential Effect

Noncompliance with the requirements of the Davis Bacon Act.

Cause

Misinterpretation of the requirements of the Act.

Recommendation

Management should evaluate its current practice to ensure compliance with the requirements of the Davis Bacon Act.

Management's Response and Corrective Action Plan

NORA's past practice of monitoring for Davis Bacon included working collaboratively with the State to review its consultant reports on projects requiring Davis Bacon monitoring. Subsequently, based on discussions with State OCD, NORA will conduct on-site visits, record and document findings and maintain accurate record keeping in its files for evaluation.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-11

Federal Program

Neighborhood Stabilization Program 2 (see Schedule of Expenditures of Federal Awards).

Criteria

In accordance with the requirement of 24 CFR Section 135.3(a) and 135.90 and 570.487(d) the prime recipient must submit HUD Form 60002 for each grant over \$200,000 that involves housing rehabilitation, construction or other public projects.

Condition

The HUD Form 60002 (Section 3 Summary Report) provided by NORA for review in connection with our audit was incomplete in terms of construction costs incurred and other requested information (such as dollar award, code, contracts awarded, etc.) in other sections of the report.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-11

Effect or Potential Effect

Incompleteness of information submitted in compliance with the requirements of 24 CFR (new grant award in 2010).

Cause

Lack of an effective coordination between the finance and program staff.

Recommendation

We recommend that management evaluate its current practices to ensure timely and adequate coordination of information between the program and financial section to facilitate the submission of complete information.

Management's Response and Corrective Action Plan

NORA has implemented a system to adequately review documents for accuracy and sign-off by finance and programmatic staff. All contracts are monitored for completeness by staff for contract compliance. All forms will be completed with accuracy and submitted on a timely basis.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-12

Federal Program

Neighborhood Stabilization Program 2 - NSP2 (see Schedule of Expenditures of Federal Awards).

Criteria

NORA is responsible for ensuring that all costs, common and direct incurred are adequately charged to the respective grants.

Condition

Based on our test work of twenty-nine (29) cash disbursements, we noted an instance where the charge for professional services involving research of Disadvantage Business Enterprise (DBE) for each of NORA's stream of funding was charged 100% to one program.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Completeness in allocated common or shared costs.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-12

Cause

Misunderstanding of the shared benefits cost charged

Recommendation

We recommend that management review its current shared cost allocation plan and processes to ensure its completeness.

Management's Response and Corrective Action Plan

To comply with the requirements of the NSP2 program, NORA procured professional services to develop a Section 3 and DBE program. The costs incurred were generated to benefit the NSP2 program.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-13

Federal Program

Neighborhood Stabilization Program 2 - NSP2 (see Schedule of Expenditures of Federal Awards).

Criteria

Management of NORA is responsible for ensuring the completeness of the Section 1512 ARRA reporting.

Condition

The report submitted under the requirements of Section 1512, AARA grant for the quarter ended September 30, 2010 (selected test month), did not agree to NORA's general ledger recorded amount for federal funds earned and disbursed for the reported period.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Completeness of NORA's submitted reports.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-13

Cause

Lack of an effective coordination between the finance and program departments.

Recommendation

We recommend that management enhance its coordination and oversight processes to ensure completeness of all submitted reports.

Management's Response and Corrective Action Plan

NORA is working with technical assistance provided by HUD for its NSP2 program to implement effective reconciliation tools to ensure that reporting of financial and programmatic activities is complete.

All financial activities have been reconciled between the accounting records and federal reports through May 2011.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-14

Federal Program

Neighborhood Stabilization Program 2 - NSP2 (see Schedule of Expenditures of Federal Awards).

Criteria

NORA is required pursuant to 24 CFR, to ensure that its cash management practice minimizes drawdowns in anticipation of its immediate need.

Condition

During the year ended December 31, 2010, NORA requested and received \$40,384 in funds used in the acquisition of rights in several tax sale properties. The requisitioned funds at December 31, 2010, is drawn in contradiction to the immediate needs requirement of the CFR.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Receipt of funds in advance of immediate needs.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-14

Cause

Management's understanding of the nature of the acquisition (tax sales properties).

Recommendation

We recommend that management minimizes the drawdown of funds in advance of its immediate needs.

Management's Response and Corrective Action Plan

NORA will decrease future administrative drawdown requests by the amount of the receivable recorded for tax sale purchases. No additional funding is planned for this particular activity.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-15

Federal Program

All Blighted Properties Programs (see Schedule of Expenditures of Federal Awards).

Criteria

The October 21, 2009 Cooperative Endeavor Agreement (CEA) between the City of New Orleans and NORA required the following tasks:

1. Notification in writing sixty (60) days prior to expiration of the agreement of any projects that will not be completed within the term of the agreement to include the current status.
2. Within sixty (60) days of notifying applicants of their respective funding award, NORA will enter into a financing agreement and execute a promissory note.
3. Under the Rehabilitation and Construction Litigation study, NORA was to issue a memorandum outlining how NORA intends to apply the findings of the study within sixty (60) days of completion of the study.
4. For the Commercial Appraisal Program, NORA was required to provide the City within thirty (30) days of the executed CEA agreement, its policy for hiring commercial appraisers.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued
2010-15

Criteria, Continued

5. For the Quick Take Expropriation program, **NORA** was required to provide within thirty (30) days of execution of the agreement, a comprehensive listing of all properties that have been acquired and disposed of utilizing SOAP funds since execution of the Master CEA on October 20, 2008.
6. The 2009 CEA required the monthly submission of a detail listing of all properties in the pipe line for quick take expropriation, etc. The agreement required the use of the format referenced in Exhibit F-2.
7. Within thirty (30) days of acquisition of property utilizing quick take expropriation, **NORA** must provide the City with a disposition plan to return said to commerce.
8. For the Residential Blighted and Abandoned Property Acquisition and Disposition Program, **NORA** was required to within thirty (30) days of execution of the agreement with the City provide a comprehensive listing of all properties acquired and disposed of utilizing annual CDBG funds from the City over the past two years (2008-2009).
9. The October 21, 2009 CEA, required **NORA** within thirty (30) days of execution of the agreement, to provide the City a project management plan consisting of strategies, procedures, and executed agreements to ensure effective monitoring, land use policy consistency, timely completion of blight remediation, and remedies for noncompliance with conditions of blight abatement undertaken.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Criteria, Continued

10. **NORA** was required to within sixty (60) days of execution of the agreement, to provide the City a copy of its land assembly and land management plan for properties within its possession, control, or jurisdiction that it had determined shall be redeveloped in accordance with the City's overall redevelopment plans including the Master Plan.
11. The October 21, 2009 CEA required within thirty (30) days of expiration of the agreement, for **NORA** to provide the City a comprehensive inventory of all properties acquired and disposed of through the October 21, 2009 CEA, following the same format as the monthly reporting requirements listed under Acquisition in Exhibit F-2 Minimum Database Fields.
12. For the Target Area Land Assembly, **NORA** was required within thirty (30) days of execution of the agreement, to provide the City a comprehensive list of all properties acquired and disposed of utilizing annual CDBG funds from the City for the past 2 years 2008-2009. The listing shall include properties that are currently pending transaction, and any properties that **NORA** has had appraised under previous CEAs and shall have all fields listed under Acquisition in Exhibit F-2 - Minimum Database Fields. All program income from sale of transfer of these properties shall be reported.
13. The October 21, 2009 CEA required **NORA**, within thirty (30) days of execution of the agreement to provide the City a project management plan consisting of strategies, procedures, and executed agreements to ensure effective monitoring, land use policy consistency, timely completion of blight remediation, and remedies for noncompliance with conditions of blight abatement undertaken.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Criteria, Continued

14. NORA was required to within sixty (60) days of execution of the 2009 agreement with the City, to provide a copy of its land assembly and land management plan for properties within its possession, control or jurisdiction that it has determined shall be redeveloped in accordance with the City's overall redevelopment plans including the Master Plan.
15. The October 21, 2009 CEA required NORA within thirty (30) days of execution of the agreement, to provide the City a comprehensive inventory of all properties acquired and disposed of through the October 21, 2009 CEA, following the same format as the monthly reporting requirements listed under Acquisition in Exhibit F-2 Minimum Database Fields.

Condition

1. Based on our review of correspondence from the U.S. Department of Housing and Urban Development in response to audit report reference number 2010-A0-1005 and through discussions the management, we were unable to ascertain submission of the report as required under the criteria section of this finding referenced as item Number 1.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued
2010-15

Condition, Continued

2. Based on our review of the award letter to St. Claude/St. Roch Revitalization, LLC, the award from NORA is dated May 17, 2010 and the promissory note is dated August 16, 2010. It is our understanding through discussion with management that NORA aggressively initiated work projects prior to anticipated approvals to facilitate deliverables.
3. For criteria Number 3, we were unable to evidence the submission of a memorandum to the City of New Orleans outlining how NORA intends to apply the findings of the study within sixty (60) days of completion of the study. It is our understanding through discussion with management, that NORA participated in meetings with the City/State regarding the study.
4. We were unable to verify whether NORA provided to the City within thirty (30) days of execution of the October 21, 2009 agreement, a copy as required by the performance standards of its policy for hiring commercial appraisers. It is our understanding through discussion with management that those policies preceded the execution of the CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Condition, Continued

5. Based on our review of a transmittal letter dated September 20, 2010, we noted non-compliance with the requirements of criteria Number 5. The transmittal letter provided for our review referenced an August 2010 monthly report verses a comprehensive listing of properties acquired and disposed of since execution of the original master CEA. It is our understanding through discussion with management that a comprehensive listing was provided to the City prior to the execution of the CEA.
6. We were not able to ascertain compliance with criteria Number 6 which required the provision of monthly detailed listing of all properties that are in the pipeline for quicktake expropriation, including their acquisition status, an accounting of all funds used for expropriation, as well as all proceeds from sales and transfers. It is our understanding through discussion with management that the report was submitted to the City prior to the execution of the CEA.
7. In reference to criteria Number 7, we were not able to determine whether the City was provided with a disposition plan for specific properties disposed of. It is our understanding that the City was provided with a Board approved plan for entitlement funded programs prior to the execution of a CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Condition, Continued

8. Based on our review of the transmittal letter dated September 20, 2010, we were unable to ascertain compliance with the referenced criteria Number 8. The transmittal letter provided for our review referenced the August 2010 monthly report verses a comprehensive listing of properties acquired and disposed of since execution of the original master CEA. It is our understanding through discussion with management that submission of the listing preceded the execution of the CEA.
9. We were unable to determine the submission date as dictated in criteria Number 9 as the document provided was not dated to evidence the date submitted to the City. It is our understanding through discussion with management that submission of the plan preceded the execution of the CEA.
10. We were unable to determine compliance with criteria Number 10 as no date was noted on the document provided to evidence transmission to the City. It is our understanding through discussion with management that submission of the plan preceded the execution of the CEA.
11. In reference to criteria Number 11, our review of the transmittal letter provided to us dated September 20, 2010 to evidence the transmission of the required monthly report for the month of August 2010 did not include a comprehensive inventory of all real properties acquired and disposed of within thirty (30) days of the expiration of the October 21, 2009 agreement. It is our understanding through discussion with management that a comprehensive listing was provided to the City prior to the expiration of the CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Condition, Continued

12. The transmittal letter provided to us dated September 20, 2010 in reference to criteria Number 12 referenced an August 2010 monthly report verses a comprehensive listing of properties acquired and disposed of since execution of the original master CEA. It is our understanding through discussion with management that submission of the listing preceded the execution of the CEA.
13. We were unable to determine compliance with the requirements of criteria Number 13, as the document provided was not dated to evidence the date submitted to the City. It is our understanding through discussion with management that submission of the plan preceded the execution of the CEA.
14. We were unable to determine compliance with the submission date requirements of criteria Number 14. No date was noted on the document provided for our review by NORA. Further, a request for documentation supporting the date of transmission to the City was not provided for our review. It is our understanding through discussion with management that the report was submitted to the City prior to the execution of the CEA.
15. In reference to criteria Number 15, the transmittal letter provided by NORA, did not include a comprehensive inventory of all real properties acquired and disposed of within thirty (30) days of the execution of the October 21, 2009 agreement. It is our understanding through discussion with management that submission of the listing preceded the execution of the CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

Effect or Potential Effect

Noncompliance with the requirements of the October 21, 2009 agreement.

Cause

An effective global matrix and coordination of all activities resulting from significant growth in the resources managed by NORA.

Recommendation

We recommend that the management revisit with its current program compliance monitoring and global reporting processes to ensure its completeness. Such a system should include the provision of an adequate audit trail at a minimum, to effectively support compliance and independent review.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Management's Response and Corrective Action Plan

Management recognizes the need to comply with contract terms set forth in its grant and cooperative endeavor agreements (CEA). Although listed in the agreement as required submissions, some reports were submitted to the City prior to the CEA being executed. NORA has provided the City with requested or required documents and will maintain better supporting documentation evidencing submission. A matrix will be created with deliverables from all contracts and agreements for monitoring by management.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-16

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to the requirements of 2 CFR part 180 regarding debarment or suspension, covered transactions should not be procured from entities debarred or suspended.

Condition

NORA's current overall procurement processes do not completely address the verification requirement for compliance with 2 CFR part 180.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2010 was \$6,998,272.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-16

Effect or Potential Effect

Noncompliance with the requirements of 2 CFR part 180.

Cause

Lack of an established system to ensure compliance with debarment and suspensions.

Recommendation

We recommend that management establish a formal policy to ensure compliance with all applicable requirements of 2 CFR part 180.

Management's Response and Corrective Action Plan

NORA will include in its revised compliance and monitoring policies and procedures, a system for reviewing and documenting vendors status with regard to suspension and debarment.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs

Reference Numbers

2009-01, 2009-07, 2008-01 and 2008-04

Condition

NORA continues to align its growth based on the level of resources managed with additional staffing, technology updates to include the development and updates to its accounting, human resources, and management policies and procedures.

As a part of its growth strategy, NORA should continue to enhance the level of supervisory oversight and coordination of the various organization functions to ensure the complete and accurate accounting for all financial transactions and also facilitate the effective and efficient monitoring of compliance with its program goals.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as NORA continues to expand its operations, greater emphasis should be placed on its accounting and financial reporting processes to include effective monitoring of compliance with all aspects of its grant management.

Also, the necessary updates to its financial and program policies and procedures should be evaluated to ensure continuous alignment with its growth.

Specifically, NORA should establish a policy regarding the complete preparation of its annual audited financial statements and related footnotes pursuant to the requirements of Statement of Auditing Standards 115.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2009-01, 2009-07, 2008-01 and 2008-01

Current Status

Partially resolved.

NORA has expanded its policies and procedures; however, guidance received through technical assistance provided by HUD, indicates that the contents of the policies and procedures need to be strengthened. A completed draft will be available for board review in August 2011.

Further, NORA has increased the capacity of the Finance and Compliance Departments. Greater emphasis is being placed on completeness of the general ledger and financial reporting. Policies and procedures will be updated to address the flow of work processes within the organization. NORA is in the first stages of acquiring a new enterprise resource planning (ERP) system to address the growing financial and operating reporting needs of the Agency.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2009-02 and 2009-08

Condition

During 2009 NORA acquired through acts of donation, capital assets totaling \$8,519,250 (after the effect of audit adjustments). Based on a confirmation received from the State of Louisiana, NORA's detail property records after review reflected 171 versus 172. An analysis of NORA's property detail records revealed duplicate property address and listed property not included on the State of Louisiana's property listing. As a part of our audit, we discussed with management its procedure for accounting for the completeness in the recorded amounts noting the lack of formalized written policies and procedures to ensure the complete and accurate accounting for all capital assets acquired and/or received via donation.

Recommendation

We recommend that management develop and implement a formalized policy and procedure to account for all capital assets acquired through acts of donation. The process should also include the periodic reconciliation to the State of Louisiana's property data base. Furthermore, a projection of the future cost to insure and maintain the properties should be part of NORA's planning process.

Current Status

Partially resolved.

All property received for 2009 from the LLT have been properly recorded in the underlying records.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2009-03 and 2008-03

Condition

The audited financial statements for the December 31, 2009 was submitted within an approved extension request.

Recommendation

As **NORA** continues to expand its financial sections, greater emphasis should be placed on the financial operating cycle to ensure complete and accurate financial information reporting.

The number of audit adjustments should be minimized through a the timely review and analysis of significant general ledger accounts prior to the complete closing of year-end financial transactions.

Furthermore, an enhanced level of oversight is necessary to ensure the timely, accurate and complete financial information.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2009-04 and 2009-09

Condition

The financial statements for NORA at December 31, 2009, reflects an out of balance condition in the interfund activities in the amount of approximately \$169,000.

Recommendation

All significant general ledger accounts should be reconciled and analyzed on a periodic basis and all out of balance conditions resolved immediately.

Current Status

Resolved.

Interfund activity is materially balanced at December 31, 2010.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2009-05 and 2008-06

Condition

Based on our review of the cumulative activities progress reports submitted pursuant to its agreement with the City of New Orleans for its Annual Grant, we noted the following:

- o **NORA** took possession of 265 of required 2,500 Louisiana Land Trust properties during 2009.
- o **NORA** did not specifically conduct meetings in planning districts; however, **NORA's** staff attended 334 meetings during 2009.
- o **NORA's** sold through the review Lot Next Door Program 99 of required 150 properties.
- o Based on our review of inspection reports performed by **NORA's** inspectors on September 30, 2009, April 5, and April 12, 2010, we noted selected property addresses that were not recorded on the respective inspector trip log.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2009-05 and 2008-06

Condition, Continued

- o We were unable to review documentation to support a judicial proceeding rescinding the sale of property not in compliance with the 270 days condition of sale.

However, we noted an e-mail communication from NORA's Compliance Manager to legal counsel regarding non-compliance on the buyer's part necessitating a rescission.

- o We were not provided with evidence to support NORA's compliance with its contract with the City of New Orleans regarding submission within thirty (30) days after the executed agreement, reports to indicate the status of all properties acquired with CDBG funds.
- o NORA expropriated 80 of the 250 required properties during 2008.
- o NORA's responsibility to improve enforcement of laws that pertain to the treatment of blighted and abandoned properties has not been fulfilled for 2008.
- o NORA inspected 91 of the 200 NORA sold properties during 2008; and
- o No properties were disposed during 2008 from the Louisiana Land Trust (LLT).

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2009-05 and 2008-06

Recommendation

Management should explore language revision in its future contracts to facilitate compliance with all requirements of its contract with the City of New Orleans.

Current Status

Unresolved.

The compliance requirements set forth in NORA's contracts with the City of New Orleans have not been fulfilled as stated due to the lateness in signing the contracts with the City of New Orleans in current and previous years. No changes were made to reporting requirements by the City to the CEA to account for the untimely contract execution.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2009-06

Condition

During 2009 NORA executed Cooperative Endeavor Agreements (CEA) for the use of Community Development Block Grant funds in various blight acquisition, land assembly, redevelopment and management activities.

The CEA's required specific deliverables and timelines upon execution of the agreements and throughout the term of the agreements.

Based on our discussions with management and review of status reports prepared by NORA to include other documents provided to us, we noted the following:

- Various e-mail memoranda and communications directing changes in the scope and funding allocation and/or reallocation of the referenced agreements;
- Evidence of periodic meetings with designated personnel of the City of New Orleans and State, as applicable; and

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2009-06

Condition, Continued

- Noted based our review of the October 21, 2009, CEA, language in the agreement relative to the status of projects and criteria for acceptable performance compliance.

Because of the level of coordination required at the City, State and Federal levels to accomplish certain goals within the agreements, **NORA** should re-evaluate its current process and monitoring system in an effort to ensure that all aspects of its compliance with the agreements are adequately documented to include a process for all revisions to contracted scopes and deliverables to ensure an effective and efficient audit trail. Such a system should also aid in an efficient and effective close-out audit.

Recommendation

Management should revisit with its current processes and monitoring system to assess its effectiveness in capturing and managing all program activities on a timely basis.

Current Status

Partially resolved.

The 2009/10 CEA with the City of New Orleans was an improvement of the prior year with respect to deliverable and measurable outcomes; however, the CEA was still for only one (1) year. Monthly reports are prepared and submitted documenting the progress of tasks completed. **NORA's** is continuing its progress in communication and coordination with the City, State and HUD.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2008-02 and 2008-05

Condition

Based on our review and discussion with management, we were unable to evidence the procurement of fidelity bonding coverage on all persons handling funds on behalf of **NORA**.

Furthermore, we noted that for the year ended December 31, 2008, **NORA's** revenues was approximately four million dollars.

Recommendation

Management should procure fidelity bond insurance.

Current Status

Resolved.

NORA applied for several types of insurance to mitigate risk and comply with terms of certain grant agreements. Policies were obtained in late 2009 that covered Public Official and Employment Practices Liability and Employee Benefit Plan Fiduciary Liability. **NORA** also applied for a Crime policy and selected a vendor; however, the vendor decided not to bind the policy once selected. Another vendor was selected and the policy went into effect in 2010.

Management continues to be vigilant in examining transactions to ensue that **NORA** is in compliance with regulatory policies and procedures are consistently followed in accordance with established internal controls.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2007-02

Condition

During the year ended December 31, 2007, we noted no evidence to support compliance with the technical assistance workshop attendance component of **NORA**'s contract with the City of New Orleans.

It is our understanding through discussion with management of **NORA** that the noncompliance was due to the unavailability of technical workshops during 2007.

Recommendation

Continued compliance with all requirements of its contract with the City of New Orleans.

Current Status

Partially resolved.

NORA will continue its dialog with the City to resolve this finding.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

98-3 and 97-1

Condition*

NORA currently maintains a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because **NORA** is on a cost reimbursement basis with its only funding source, a significant amount of transactions undertaken by **NORA** results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis nor are interfund activities reconciled on a monthly basis.

Recommendation

Management should continue to explore additional sources of funding to minimize the need for interfund activities.

Current Status

Unresolved.

Management is in discussion with a local financial institution to secure a line-of-credit for operations.

*Repeated

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section V - Status of Other Findings/Reviews

During the year ended December 31, 2008, **NORA's** records were subject to agreed-upon procedures. The following is the current status of those open findings as of June 8, 2011:

(2008-12-02, 2008-09-02, 2008-06-02 and 2008-03-02)

Finding

For twelve (12) selected cash receipts deposited into **NORA's** designated program bank accounts, we noted agreement between the source documents and the general ledger without exception.

Noted the timely deposit of funds received via comparison of the date evidenced on the validated deposit coupon to the bank statement without exception.

We reviewed four (4) manual cash receipts issued during the month of November 2008, noting inclusion of selected receipts in the population of manual cash receipts issued for the month of November 2008. In addition, we noted the deposit of funds collected in the respective bank accounts. We were unable to determine based on information provided, evidence of supervisory review and/or approval beyond the level of the preparer and executioner for six (6) intra-bank transfer transactions reviewed. However, it is our understanding that **NORA** has revised its procedures to provide for the necessary trail of supervisory review and approval for all intra-bank transfers.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section V - Status of Other Findings/Reviews, Continued

(2008-12-02, 2008-09-02, 2008-06-02 and 2008-03-02)

Finding, Continued

For twenty-five (25) transactions randomly selected and reviewed for completeness, we noted four (4) instances where procurement documents were not available for our review to support the basis and type of procurement method utilized. It is our understanding through discussion with management that NORA uses the City of New Orleans' vendor listing in the procurement of selected materials and supplies. Furthermore, we noted the absence of a cooperative agreement or any other documentation with the City of New Orleans to support the method and basis for procurement.

For journal entries prepared and posted for the months of October through December 2008, we noted no evidence of supervisory review and/or approval prior to input into the general ledger. However, we noted supervisory approval subsequent to the posting of the journal entries based on our review of attached supporting documents.

Noted no evidence to support the timely and periodic review of the adequacy and continuous collateralization of funds held by NORA's bankers in excess of the Federal Deposit Insurance Corporation's limit.

Certain significant subsidiary general ledger accounts such as payroll, prepaid acquisition, acquisition payable, land inventory, etc., were not reconciled or properly reconciled to their respective general ledger control accounts and differences, if any, resolved. Also, noted that certain capital assets purchased during 2008 in connection with NORA's land acquisition contract with the City, were not properly capitalized at December 31, 2008.

Management was unable to provide us with a policy to evidence procurement of bonding coverage.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section V - Status of Other Findings/Reviews, Continued

(2008-12-02, 2008-09-02, 2008-06-02 and 2008-03-02)

Finding, Continued

Current Status

Partially resolved.

All bank transfers require the review and/or approval beyond the level of preparer.

Evidence of bank balance collateralization beyond the FDIC limit is e-mailed and mailed to the Director of Finance and Administration on a monthly basis. Current procedures include signing the document as evidence of review.

The Compliance Department has implemented a procurement process that documents the procedures from the request for proposal to completion of a vendor contract. Small purchases are documented by obtaining quotes from three vendors before a purchase is completed.

NORA is in the early stages of procuring a new financial system

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings

The Department of Housing and Urban Development's Office of Inspector General on April 8, 2011, issued its report (2011-A0-1004) resulting from an audit of the Neighborhood Stabilization Program 2 awarded to **NORA**.

The following is a listing of the findings and related management's response and corrective action as of June 8, 2011.

Reference Number

HUD 2010-17

Condition

"The Authority did not always use its NSP2 funds in accordance with Federal regulations. Specifically, **NORA** did not always (1) comply with NSP2 regulations and/or its written policies and procedures under its NSP2 ongoing activities, (2) comply with procurement regulations when obligating NSP2 funds, (3) provide its NSP2 quarterly performance reports to HUD with accurate information, or (4) ensure that its NSP2 expenditures were eligible and supported for 16 of 21 NSP2 expenditures. These conditions occurred because the Authority (1) did not have adequate controls and/or policies and procedures to effectively administer its NSP2 funds, (2) did not follow its own policies and procedures, and (3) was not always aware of its responsibilities as a HUD grantee under NSP2. As a result, it could not provide reasonable assurance that it had adequately fulfilled the requirements of its agreement with HUD, with respect to its ongoing activities and reports to HUD, and the Authority and one of its consortium members improperly procured eight contracts. In addition, the Authority expended \$178,148 in questioned costs. Further, given the nature of the deficiencies identified, at least \$8,101,539 of the remaining funds is at risk of being misspent."

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Recommendation

“We recommend that HUD’s Director of Community Planning and Development require the Authority to—

- 1A. Establish policies and procedures regarding environmental reviews to include a timeline for receiving/issuing exemption certifications. In addition, the Authority should be required to provide a certification to the HUD Office of Community Planning and Development that the Authority has established such policies and procedures to prevent the recurrence of environmental review and request for release of funds violations.
- 1B. Establish an internal audit function, within sixty (60) days of the report issuance date, including hiring staff and developing written internal audit policies and procedures.
- 1C. Revise its monitoring policies and applicable monitoring checklists to ensure that it adequately assesses compliance with Federal requirements and performance goals during consortium member on site monitoring visits.
- 1D. Revise its appraisal policies to develop and implement procedures, such as a compliance checklist, for the review of appraisal reports to adequately ensure that (1) its policies and procedures are followed and (2) the terms of its agreements and applicable appraisal requirements are met.
- 1E. Obtain another contractor for its commercial appraisal services. Specifically, NORA must (1) terminate its contract with Thorns Consulting, LLC (2) re-advertise the request for qualifications for commercial appraisal services to obtain a larger pool of candidates, and (3) ensure that it selects a responsible and knowledgeable contractor.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Recommendation, Continued

- 1F. Implement an internal system of controls, within sixty (60) days of the report issuance date, to adequately track and update NSP2 budgeted and expended costs to ensure that funds are accurately accounted for and tracked. This requirement includes an automated accounting system that can produce financial reports needed for the development of certain financial statements and audit purposes.
- 1G. Revise its cost allocation plan, within sixty (60) days of the report issuance date, and submit the revised plan to HUD for review and approval. The revised cost allocation plan should include additional information/documentation, but is not limited to—
- A brief description of programs and funding sources, including amounts;
 - A list of expenses associated with costs for each program and funding source;
 - A clear identification of the method used to distribute the costs to each program and/or funding source;
 - A schedule showing the allocation of each program and funding source; and
 - Documentation such as (1) an organization chart which is sufficiently detailed to show operations and (2) a certification that the plan was prepared in accordance with OMB Circular A-87, contains only allowable costs, and was prepared in a manner that treats similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Recommendation, Continued

- 1H. Revise its procurement policies to implement procedures to ensure that it complies with all relevant procurement rules and regulations. The revisions should include but not be limited to establishing policies and procedures to (1) monitor and track contract performance progress and payments; (2) add procedures regarding additional types of procurement other than those for professional services; (3) describe processes for other procurement methods (i.e. sealed bids and noncompetitive); (4) verify contractor responsibility; and (5) initiate, execute, and approve change orders or contract modifications.
- 1I. Require all of its consortium members to comply with the appropriate procurement regulations (i.e. 24 CFR Part 841, re-assess the adequacy of the consortium members' procurement policies, and maintain sufficient procurement records or evidence to support that it reviewed the procurement documents/practices of its consortium members.
- 1J. Establish and implement procedures to ensure that NSP2 quarterly performance reports are reported to HUD with accurate information.
- 1K. Repay to the U.S. Treasury using non-Federal funds the \$40,385 in unallowable costs paid to purchase properties before the approval of the request for release funds.
- 1L. Repay to the U.S. Treasury using non-Federal funds the \$53,039 in unallowable costs disbursed to the for-profit consortium partner before the firm commitment date.
- 1M. Repay to the U.S. Treasury using non-Federal funds \$352 in ineligible costs paid to the Trumpet Group, LLC.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Recommendation, Continued

- 1N. Support the cost reasonableness of Environ, it should then support or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds \$344 in unsupported costs identified due to the lack of invoice documentation.
- Should the Authority support the cost reasonableness of this contract, it should then support or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds \$344 in unsupported costs identified due to the lack of invoice documentation.
- 1O. Support the cost reasonableness of the Trumpet Group, LLC contract or repay any amounts it cannot support to the U.S. Treasury from on-Federal funds the \$39,648 disbursed during the scope of our review. In addition—
- Should the Authority support the cost reasonableness of this contract, it should then support or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds \$35,997 in unsupported costs identified due to the lack of invoice documentation.
- 1P. Support the cost reasonableness of the Terry Phillis consultant contract or repay any amounts that it cannot support to the U.S. Treasury from non-Federal funds the \$4,957 disbursed during the scope of our review.
- 1Q. Support the cost reasonableness of the Thorns Consulting, LLC contract or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds the \$3,500 disbursed for the appraisal report provided during the scope of our review.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Recommendation, Continued

- 1R. Support the cost reasonableness of the Henry Consulting LLC, Community Central, Krebs Lemieux LaSalle LLC, and Bayou Title contracts or terminate those contracts and conduct new procurements for the services in compliance with HUD procurement regulations and the Authority's own procurement policies.
- 1S. Support or repay any amounts that it cannot support to the U.S. Treasury using non-Federal funds the \$133 in unsupported costs paid for the Authority's personnel costs.
- 1T. Revise its written finance policies. In addition, the Authority should be required to implement financial controls to ensure proper routing and approval of expenditures, that personnel expenditure procedures are established, and that adequate segregation of duties exists.

We also recommend that the HUD's Director of Community Planning and Development—

- 1U. Provide the Authority with training related to NSP2 and other requirements to ensure compliance with the program. This requirement includes but is not limited to training regarding environmental review and appraisal requirements, procurement regulations, and monitoring procedures.
- 1V. Review the Authority's listing of potential properties to be assisted with NSP2 funds and ensure that such properties are eligible under NSP2 and that the property information is accurate.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Recommendation, Continued

- 1W. Closely monitor the Authority's expenditure and procurement activities. The monitoring should include, but is not limited to obtaining the Authority's expenditure and procurement/contract files under the NSP2 grant on a quarterly basis and reviewing the applicable expenditures and procurements for support, eligibility, and program compliance for the duration of the Authority's NSP2 grant or until HUD is satisfied that the expenditures and procurements meet Federal requirements.
- 1X. Review the Authority's additional \$1,326,230 of expenditures, incurred as of February 24, 2011, to ensure that those expenditures are eligible and supported. In addition, the Director should ensure that the Authority corrects all of the deficiencies noted throughout the report within 30 days of the report issuance date. Further, the Director should conduct a risk analysis of the Authority within 60 days of the report issuance date, regarding its ability to properly administer and expend the NSP2 grant. Based upon the risk assessment, the Director should provide the Authority with the appropriate ongoing monitoring and technical assistance throughout the duration of the grant to ensure (1) compliance with the NSP 2 and other requirements and (2) that the remaining funding is expended for eligible and supported costs. These actions will ensure that at least \$8,101,539 in program funds can be put to better use and used for eligible activities."

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Management's Response and Corrective Action Plan

- 1A. The Authority has maintained environmental policies and procedures and has provided to the Consortium Partners a "General Administration Manual" (GAM). Exhibit "A" includes several sections of the GAM that describe different phases when environmental requirements must be addressed. Subsequent to the OIG review, the Authority drafted written NSP2 policies and procedures which describe the internal operational procedures to initiate and receive environmental records. Exhibit "B", the Authority NSP2 Procedures" includes a section about the Environmental Review Protocol.
- 1B. On April 18, 2011, the Authority's Internal Auditor commenced work. The Auditor has reviewed all of the Authority's policies and OIG recommendations and has helped the Authority develop a written draft of internal audit policies and procedures. Exhibit F.
- 1C. The Authority is working with a HUD TA provider, Enterprise Community Partners, to update the Authority's monitoring plan and checklist, as needed. The Authority staff will draft a monitoring review plan before the end of June, 2011 that describes with more detail the items a monitor will look for when on site and project the number and timing of site visits. The plan will also require more documentation from the partners ahead of time using HUD recommended checklists as baseline reference (see HUD document; *"Playing by the Rules: A Handbook for CDBG Subrecipients on Admin. Systems; March 2005"*).

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Management's Response and Correction Action Plan, Continued

- 1D. The Authority believes our review appraisal policies are sufficient but given the purchase price of the property and the condensed timeline, flexibility with the written policy was allowed although not adequately documented. The Authority is considering revising the review appraisal policies to account for such atypical situations. The Authority will submit its final response a review of the appraisal and recommendations for future commercial appraisal policies.
- 1E. Subsequent to issuance of OIG's draft audit report, the Authority hired an independent, outside review of the appraisal report established for property at 2102 Louisiana Avenue. The Authority will submit our suggested corrective action to this recommendation before May 30, 2011.
- 1F. In coordination with Enterprise, the Authority is developing a more robust tracking system that will link programmatic staff with the accounting staff to ensure that budgets and expenditures match. An initial draft of the procedures that address this are included in Exhibit B, "*NORA NSP2 Procedures*" Financial Section. In 2010, the Authority commissioned a consultant to analyze and review its current administrative and financial systems. The consultant recommended design an development of an internal comprehensive management system. The Authority is currently working with HUD, City of New Orleans, and private foundations to secure funding for implementation.
- 1G. Subsequent to the OIG review, the Authority is working with Enterprise to submit a new cost allocation plan to HUD for approval. The Authority anticipates the cost allocation plan will be completed and submitted to HUD within the next sixty (60) days.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Management's Response and Correction Action Plan, Continued

- 1H. Subsequent to the OIG review, the Authority hired a new Contract C Compliance Specialist who will track and monitor contract performance. The Authority views procurement and contract compliance as two separate functions and as such utilizes a "Procurement Officer" to ensure that all procedures leading up to the execution of a contract are in line while the Contract Compliance Specialist will be responsible for tracking contractor work orders among all the Authority divisions and ensuring that invoices received are reviewed, accurate and provide detailed information when compared to the contract/work orders. Exhibit "C" includes the Contract Compliance Specialist job description.

The Authority maintains "living" policies and procedures that are revised and updated annually to comply with the Authority's strategic plan, new programs/projects as they come on line and regulations consistent with funding awards. At the time of the review, the Authority was in the process of updating the procurement policies and procedures to account for items in this recommendation. Exhibit "D" includes the draft policies and procedures for procurement. You will find that the Authority addressed the following additional type of procurement that are relevant to the Authority's mission (small purchase, RFP for services, non-competitive and invitations to bid), procedures for checking contractor responsibility on EPLS, and change order procedures.

- 1I. The Authority staff worked during the NSP2 program's first three (3) months to ensure that Consortium Members understood the importance of good and documented procurement. Given the number of partners at that time, the Authority felt that the majority of the Consortium had completed an outstanding job meeting the various priorities set by HUD such as capacity building for minority owned and small businesses.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Management's Response and Correction Action Plan, Continued

II. Continued:

Each partner has proposed creative, positive procurement ideas that the Authority has responded to individually to ensure each of the steps do not contradict the items in Part 84 or 85. One of the Non-profit Consortium Members highlighted by the OIG referenced Part 85 in their procurement policy because the Authority agreed that, based on other guidance from HUD, Part 85 is a "safe harbor" for Part 84 (see HUD document; *Playing by the Rules; A Handbook for CDBG Subrecipients on Administrative Systems*").

Subsequent to the OIG review, the Consortium received approval from HUD to convert the majority of the Consortium Members to "Developers". Currently, the Authority is working with the converted partners and Enterprise to ensure that an accurate policy is in place about the procurement requirements from Developers. Before the Developer Agreements are executed the Authority will provide the Field Office with new sections in the GAM related to Developer oversight including cost reasonableness and contract provisions that apply to those specific NSP2 partners.

- 1J. As indicated in the Authority's initial response to OIG, the QPR delay was not a result of inadequate the Authority procedures. The QPRs can only be submitted after the Action Plan was approved. The Action Plan approval required discussion between NORA and your office before approval which took longer than either party expected. All QPRs since the initial QPR have been submitted on or before the due date. The procedures for the Authority submitting the QPR is outlined in Exhibit A, *NORA NSP2 Procedures*".

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Management's Response and Correction Action Plan, Continued

- 1K. The Authority believes these are eligible costs on the basis of Louisiana Statutory law declaring these not to be acquisitions and therefore exempt/excluded from environmental review under 24 CFR Part 58.34 and 58.35. Reference by the OIG that the costs were to pay for the "purchase of properties" is wholly inaccurate. As described in the attachments, this expenditure paid for a tax sale interest in 32 properties that may be feasible for title purchase within the NSP2 program 3-year deadline for a landbank. Subsequent to the OIG recommendation the Authority contacted the State regarding the appropriate Environmental review and is working with the Responsible Entity (RE) representative to describe the uniqueness of landbanks as an eligible activity after which the Authority believes these tax interest purchases will either be deemed exempt or excluded by the RE. While perhaps not perfect, the environmental review is correctable without reversing the actions of this expenditure. If after review by the RE, this action is deemed as something other than exempt or excluded the Authority will address this recommendation.
- 1L. The Authority maintains the "firm commitment" date from the for-profit partner, Green Coast Enterprises (GCE). The Authority and GCE executed a written Consortium Agreement in April 2010. After further review, the Authority determined that the type of agreement, while a commitment, was not the best suited for the role that GCE was providing to the Consortium. Thus, the Authority replaced the effective Consortium Agreement with a new For-profit Agreement that describes GCE's scope of work more thoroughly. Exhibit E includes the original executed Consortium Agreement that was in effect when costs were accrued and the subsequent Agreement that is currently in effect.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Management's Response and Correction Action Plan, Continued

- 1M. The Authority understands that the OIG did not have a full picture of the approved work orders related to the Trumpet contract and thus could not accurately differentiate between the contracts versus budget maximum amounts. The Authority's new Contract Compliance Specialist has created new and improved contract tracking tools to better memorialize key information about the Authority/vendor contracts.

Exhibit A includes the current and improved contract chart to Trumpet. This updated chart accounts for the maximum amount awarded to the contract and the budget for expenses directly related to NSP2 and the Authority's CDBG grant. During the review, there was \$1,320 remaining in the NSP2 allocation for this contract. The additional funds awarded to this contract have been allocated to the Authority's CDBG budget with the City of New Orleans. Currently, all funds allocated to NSP2 have been exhausted.

As part of the NSP2 NOFA, the Authority clearly understood the need to upgrade its website if it was to be an effective communication tool to keep the public and its partners informed. The Authority sought the expertise of a website contractor through the solicitation of a Request for Qualifications to assist in developing web tools matching the Authority's strategic plans for redevelopment and consistent with goals outlined in the NSP2 NOFA. The Authority's website contractor relationship was formalized immediately following the NSP2 award. At the same time, staff determined that the majority of up-front work for a website was essential to getting the NSP2 program started. The attached contract chart indicates that 3 of the first 4 invoices related to "Branding and Planning" were appropriately allocated to NSP2. The second phase of work, "Design and Development" was allocated to other grants as well, with NSP2 paying only one invoice in its entirety

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Management's Response and Correction Action Plan, Continued

- 1M. and a portion of a second invoice, out of a total of four invoices. The direct allocation of NSP2 funds was always capped in the Authority's NSP2 budget at \$43,500, which is currently approximately 45% of the entire Trumpet contract maximum. This ratio will get smaller as the scope of work on the Authority's website expands. The only other funding from NSP2 for website expenses will be for cost incurred as the Authority's website expands, and for indirect cost budgeted for maintenance of the site once the cost allocation plan is approved.

Exhibit B is the procurement summary for Trumpet Group, LLC which contains documentation of the cost reasonableness analysis performed by staff.

- 1N. Exhibit C is the procurement summary for Environs International Corporation which contains documentation of the cost reasonableness analysis performed by staff. With respect to the costs for which you are requesting additional supporting documentation, the Authority is working with the vendor to obtain an actual account of expenditures for the items and will follow up with your office when this information is available. We anticipate having this information by mid June.

- 1O. Please see response in 1M above.

- 1P. Exhibit D is the procurement summary for Terry Phyllis Consulting, LLC which contains documentation of the cost reasonableness analysis performed by staff.

- 1Q. Exhibit E is the procurement summary for Thorns Consulting which contains documentation of the cost reasonableness analysis performed by staff.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Management's Response and Correction Action Plan, Continued

- 1R. Exhibit F is the procurement summary for Henry Consulting and Community Central which contains documentation of the cost reasonableness analysis performed by staff.

Krebs Lemieux LaSalle LLC and Bayou Title were procured by Pontchartrain Park CDC (PPCDC), a Consortium Member. The Authority acknowledges that as the Lead Grantee, it did not furnish the OIG documents that supported the Authority's enforcement of the procurement record keeping requirements regarding PPCDC title and survey vendors procurement. However, these records were available and the Authority staff contends that this lack consistency was not without effort to correct it. Exhibit G includes a portion of the correspondence between the Authority and the PPCDC on this topic which demonstrates the Authority's attention to this matter. As a corrective measure the Authority will continue to work with PPCDC representatives on several fronts including clarification of its procurement records with respects to title and survey contracts that were executed during its role as a Consortium Member. By the end of May, PPCDC will explicitly summarize or provide documentation of the following for each of its contracts:

- 1) The procurement method used, in reference to an updated procurement policy applicable to its status as a non-profit sub-recipient;
- 2) Documentation of cost reasonableness; and
- 3) Executed contracts/purchase agreements that include the required contract provisions.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section VI - Other Findings, Continued

Management's Response and Correction Action Plan, Continued

- 1S. Although the Authority believes these costs to be within the confines of the program regulations it will reimburse the fund.
- 1T. The Authority has drafted financial policies and procedures specific to NSP2 that are currently under review by its Technical Assistance providers. Following their review, the Authority will provide a complete packet of revised policies and procedures to our office . We expect to have the completed policies and procedures by the end of June.

NEW ORLEANS REDEVELOPMENT AUTHORITY

EXIT CONFERENCE

An exit conference was held with representatives of **NORA**. The contents of this report were discussed and management indicated their concurrence in all material respects. The following were in attendance:

NEW ORLEANS REDEVELOPMENT AUTHORITY

Joyce Wilkerson	-- Executive Director
Charmaine Davis, CPA	-- Director of Finance
Keshia Lymel, MBA	-- Controller
Serena Neal-Sanjurjo	-- Chief of Staff
Ivionne Divinity	-- Senior Accountant
Tom Lasher	-- Grants Manager
Christie Schlafini	-- Contract Compliance Coordinator
Kevin Hanna	-- Director of Development
Ommeed Saphe	-- Director of Real Estate Strategy
Krista Colson	-- Grants Manager

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Paul K. Andoh, Sr., CPA, MBA, CGFM	-- Partner
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INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS RELATED TO INTERNAL CONTROL

Ms. Joyce Wilkerson, Executive Director
New Orleans Redevelopment Authority
New Orleans, Louisiana

In planning and performing our audit of the financial statements of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered NORA's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of NORA's internal control. Accordingly, we do not express an opinion on the effectiveness of NORA's internal control.

As a part of our audit, we noted certain other matters that are opportunities for strengthening internal control and operating efficiency. Also, we reviewed with management, the status of prior year's other matters. We previously reported on NORA's internal control in our report dated June 28, 2011. This letter does not affect our report dated June 28, 2011 on the financial statements or internal controls of NORA.

We will review the status of these other matters during our next audit engagement. We have already discussed these other matters with NORA's management, and will be pleased to discuss these matters in further detail at your convenience.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matters
2010

Our discussion of current year's other matters follows:

Condition

NORA for the year ended December 31, 2010 had disallowed and questioned costs respectively totaling approximately \$230,000 for the its CDBG Annual and Target Zone programs and \$180,000 for the Neighborhood Stabilization Program 2 (NSP2).

Currently, all questioned costs are under review and discussion with NORA's funding source for the NSP2 grant award.

The disallowed costs are being absorbed in the current year by NORA's unrestricted funds.

Recommendation

Management should evaluate the causes for the level of questioned and disallowed costs and plan to minimize, if not eliminate, the potential for disallowed and/or questioned costs.

Management's Response and Corrective Action Plan

NORA is currently working with the local HUD CAP unit to clear the findings and questioned costs outlined in the HUD-OIG report issued in 2011.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Current Year's Other Matters, Continued
2010

Condition

NORA and its related entity New Orleans Redevelopment Unlimited do not have a formalized policy regarding the donation of real properties acquired with Federal funds.

Recommendation

NORA should formalize via Board action a written real property donation policy specifically, for real properties acquired with Federal funds.

Such a policy should address issues such as reversion of assets and the use CBDG funds to meet the national objectives pursuant to section 507.208, as applicable. Further the policy should address donation to both related and unrelated parties of real properties from both federal and other funding sources.

Management's Response and Corrective Action Plan

NORA will review and revise its policies and procedures for property disposition to address donation of property acquired with federal funds and related party transactions involving property transfers.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

***Status of Prior Year's Other Matters
2009 and Prior***

Our discussion of the prior year's other matters follows:

Condition

Our review of NORA's internal control over financial reporting revealed the following conditions:

- o For two (2) of fifteen (15) bank accounts (Revolving Fund and NORU) reviewed, we noted that the beginning and ending cash balances did not agree to the amount reflected in the general ledger provided to us. For one (1) (Blight) the beginning balance did not agree to the amount reflected on the general ledger for December 31, 2009.
- o We noted several staled dated checks with dates in excess of NORA's void policy of one hundred and eighty days.
- o The workmans' compensation insurance coverage maintained by NORA did not include the City of New Orleans as co-insured in accordance with its agreement with NORA.
- o Journal entries prepared and posted for the month of July 2009 (month judgementally selected for testing) lacked evidence to support the performance of supervisory review and/or approval prior to input into NORA's general ledger. It is our understanding through discussion that the journal entries other than correcting entries have been subjected to NORA's disbursement and approval process; and

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition, Continued

- o While **NORA** continues to enhance its policies and procedures the current accounting policies and procedural manual used by **NORA** does not reflect all current practices or the need for revised policies in areas such as capital asset activities, investment, financial reporting, account analysis, financial transactions recordation and treatment in accordance with applicable accounting standards and principles, etc.
- o One (1) of thirteen (13) deposit transactions selected and reviewed lacked supporting documentation in the form of a validated deposit ticket. However, we reviewed the applicable bank statement noting deposit of amount;
- o The current accounting policies and procedural manual used by **NORA** does not reflect all current practices and/or revised policies such as financial reporting, account analysis, financial transactions recordation and treatment in accordance with applicable accounting standards and principles, etc;
- o In three (3) of twenty-six (26) cash disbursements vouched, we noted where the check dates were prior to the check request and approval date;
- o In three (3) of twenty-six (26) cash disbursements selected and reviewed, **NORA** was unable to locate the supporting documents for expenses incurred;
- o In two (2) of the four (4) employees selected and reviewed, we noted the absence of payroll and benefit deduction authorizations;

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition, Continued

- o In all four (4) personnel files reviewed, we noted that the timesheets for the pay period reviewed lacked evidence of supervisory review and approval; and
- o In one instance, we noted that an employee's gross payroll was miscalculated because of the use of an incorrect hourly rate. The miscalculation resulted in an overpayment to the employee in the amount of \$61.54 for the selected payroll.

Recommendation

Management should continue to provide the necessary level of supervisory oversight to minimize, if not eliminate the referenced conditions.

Further, we recommend that all journal entries prepared should be reviewed and approved at a level above the preparer prior to input.

The current accounting policies and procedural manual should be updated to accommodate current practices and/or policies to include financial reporting, account analysis, etc. Finally, all required personnel documents authorizing compensation benefits by management and deductions authorized by respective employees should be filed in the respective personnel file.

Finally, management should re-evaluate the current payroll processing system in place to ensure its full integrity.

Current Status

Unresolved. See current year's finding reference numbers 2010-01 and 2010-05.

Management will continue to evaluate its current procedures to ensure compliance with established policies and procedures.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition

During the year ended December 31, 2009, the General Fund absorbed losses totaling \$124,694 resulting from cost disallowed by the City of New Orleans. In addition, other costs incurred resulted in further decrease in the general fund by \$323,597.

Recommendation

Management should review its current funding levels to ensure alignment with expenses.

Current Status

Unresolved. See current year's comment section.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition

NORA uses various software systems through the City of New Orleans' computer server to accumulate accounting and program information on a regular basis. However, we noted no formal written plan in place to augment the City of New Orleans' System that provides for the offsite storage of all pertinent accounting, and program data.

Furthermore, we noted no established formal procedure in place to ensure a periodic review of the adequacy of insurance coverage for NORA based on its risk assessment.

Recommendation

We recommend that management address the need for a disaster recovery plan. Areas that should be addressed in a disaster recovery plan include the following:

- o Definition of threats and risks (including likely effects on NORA).
- o Operating security.
- o Processing priorities.
- o Disaster recovery planning (as appropriate).
- o Insurance coverage available or desirable.

Current Status

Partially resolved.

In 2010, NORA moved all of its financial data from the City of New Orleans shared server following a system failure. Backup of data is maintained by the software provider and can be restored at any time should the need arise. Hard drives have been provided to all functional units to back-up important organization data processed on the City shared drive.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition*

Our review of NORA's current year's financial operations for the year ended December 31, 2008, reflects a budget overrun in its unrestricted fund.

Recommendation

We recommend that NORA's monthly reporting processes include a review of its budgeted to actual and/or projected budgeted to actual costs in order to minimize unfavorable budget variances.

Current Status

Unresolved.

Management continues to make strides in budget preparation and monitoring. NORA is in the early stages of procuring a new financial system for the agency. Management anticipated that once installed, the new system will budgeting and monitoring process.

*Repeated

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition*

The accompanying financial statements include amounts totaling \$172,235 previously classified as interfund activities.

While the amounts have account descriptions other than "due to", the classification over several years resulted in an interfund out of balance condition.

Recommendation

Management should review all amounts receivables and payables currently recorded on NORA's general ledger to ascertain the collectibility of the receivables and/or validity of the payables. Furthermore, the review should ensure the completeness in the classification of all interfund activity.

Current Status

Unresolved.

Many of the above balances have existed for years and should be written down. Before NORA migrates to a new system, underlying interfund account activity will be analyzed for proper treatment.

*Repeated

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition

Our review of the internal control over financial reporting revealed the following conditions:

- o The revolving fund bank account reconciliation for August 2007 prepared by NORA's previous fee accountant, had an incorrect check dated for September 5, 2007, instead of August 31, 2007 the date of the bank draft;
- o Two (2) bank accounts one each for the Shelter Plus and Moderate Rehabilitation Programs (closed programs) have not been formally closed;
- o Lack of specific evidence to support review and approval of all journal entries at levels above the preparer. It is our understanding that as a part of the monthly financial statements preparation process, all transactions are reviewed through the Quick Books Pro Software System by the Director of Finance and Administration;
- o No established dollar threshold for authorized check signers;
- o No performance of verification of mathematical accuracy of paid invoices in seven (7) of twenty (22) transactions tested;
- o Two (2) of twenty-two (22) transactions reviewed, did not agree to the supporting documents as a result of handwritten changes; and
- o In five (5) instances (for which payments were made via bank drafts) of forty-one(41) transactions reviewed, we noted no report and/or approval for the expenses. Furthermore, the required supporting documentations were not available for our review.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Recommendation

We recommend that management revisit with its current internal control processes over financial reporting to ensure its adequacy in the safeguarding and control of the assets of NORA.

Current Status

Partially resolved.

Bank accounts for closed programs are closed when account activities are completed. The bank has authorized check signers and authorization levels on file. Invoices are checked for mathematical accuracy before payment is made. This is evidenced by including a 10 key tape on the check request or invoice. Requests are made to the vendor for invoices with an incorrect amount. Invoices and supporting documents are archived in PDF documents by check number to ensure supporting details are maintained. Revised policies and procedures will incorporate all process currently utilized.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition

No monthly reconciliation was performed on certain significant general ledger accounts such as prepaid acquisition, unimproved land inventory, interfund activity, etc. Also, no reconciliation was performed between the cash receipts log maintained in the Program department to the bank reconciliation, revenue subledger and general ledger control account. It is our understanding that a new accountant was hired in November 2007, to replace the previous fee accountant.

Recommendation

All significant general ledger accounts to include the cash receipts logs should be reconciled on a monthly basis.

Current Status

Partially resolved.

Many manual ledgers are used to record transactions into the general ledger. All cash activity is reconciled on a monthly basis. NORA is undertaking efforts that will lead to the eventual purchase of a new financial system that will address the manual processes in place and facilitate reconciliation and review in a timely manner.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition

No established policy and/or procedure regarding compliance with the State of Louisiana's escheat law.

Recommendation

We recommend the development and implementation of a policy to address the requirements of the escheat law of the State of Louisiana.

Current Status

Partially resolved.

Subsequent to Katrina it was NORA's policy to write prospective purchases and give them the opportunity to continue pursuit of a blighted property or get a refund of the outstanding portion of the deposit.

Any funds paid to the register of the court in connection with an expropriation and have not been claimed by the property owner would be a matter for the Orleans Parish Clerk of Court and not NORA.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition

Currently, NORA does not have a formal written policy to address its custodial credit risk that results from deposits of funds held by others on its behalf in excess of \$100,000 (Federal Deposit Insurance Corporation limit). However, NORA maintains a collateral agreement with its banker and reviews its adequacy on a periodic basis.

Recommendation

We recommend the establishment of a deposit policy to address all deposits of funds with NORA's banker for funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

Also, the periodic review of the adequacy of collateral maintained should be evidence by the reviewers initial.

Current Status

Partially resolved.

Collateral reports are received on a monthly basis by the Director of Finance and an administrative review performed and indicated by initialing the report.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

*Status of Prior Year's Other Matters
2009 and Prior*

Condition

Our testing of seventeen (17) transactions revealed the following conditions:

- No evidence to support verification of the mathematical accuracy of invoices paid;
- Invoices provided were not stamped "paid" as required by NORA's contract with the City of New Orleans;
- Inadequate documentation to evidence compliance with procurement requirements in accordance with NORA's contract with the City of New Orleans; and
- The Blighted Properties Program bank account reconciliations for December 2006 listed an item dated November 30, 2005 for \$4,502.24 that remains outstanding at December 31, 2006.

Recommendation

We recommend that management evaluate its existing practices to ensure compliance with both Board and its regulatory agency's requirements pursuant to the executed contract agreement.

Current Status

Partially resolved.

Invoices are checked for mathematical accuracy before payment is made to a vendor. The process of checking the mathematical accuracy is evidenced by including a 10 key tape on the invoice or check request.

NORA has instituted a formal procurement program that is coordinated by the Compliance department. Documentation of procurement for goods and services is forward to the appropriate department head for approval.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition

The prepaid acquisition cost subsidiary ledger prepared to support the general ledger amount of \$167,511.47 (detail of all property acquisition deposits by prospective buyers), reflects individual buyer balances contrary to the account's normal balance.

Recommendation

All individual buyer balances for closed cases should be reviewed and the necessary corrections made to the schedule to include collection from buyers and/or refund to buyers, as applicable.

Current Status

Unresolved.

Balances in prepaid cost subsidiary ledger will be reviewed and any correction made by October 2011.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition*

NORA has for several years through its current period maintained a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because NORA is on a cost reimbursement basis with its only major funding source, a significant amount of transactions undertaken by NORA results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis.

Recommendation

We recommend that management continue the review and netting of interfund activities' process to the extent that it is practical to minimize the work effort related to the number of interprogram and intergovernment balances on NORA's general ledger.

Current Status

Unresolved.

Many of the above balances have existed for years and should be written down. Before NORA migrates to a new system the underlying interfund account activity will be analyzed for proper treatment.

*Repeated

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition

Considering the size of NORA, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of NORA's assets.

Recommendation

Management and the Board of Commissioners should continue to provide the level of oversight necessary in all key internal control areas.

Current Status

Partially resolved.

Condition

The operation of NORA's internal control over financial reporting exhibited the following conditions:

- Untimely preparation of reconciliations of all significant subsidiary ledgers to their related general ledger control accounts; such as acquisition payable, payroll costs, sales and inventory, etc.; to include resolution of any unreconciled differences between the subsidiary ledgers and the general ledger control accounts.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Condition, Continued

- Untimely preparation and submission of monthly financial statements to management and the Board of Commissioners; and
- Untimely reconciliation of all cash receipts specifically for the "REALM" program (mostly application fees, acquisition costs, etc.) to the pre-numbered receipts issued, validated bank deposit slips and general ledger.

It is our understanding through discussion with management that the impact of Hurricane Katrina to include NORA's staffing levels contributed to some of the previously described conditions.

Recommendation

We recommend that management evaluate the conditions previously described with an aim towards ensuring the following:

- The timely and accurate reconciliation of all significant subsidiary ledger accounts to their related general ledger control accounts. This should include the timely resolution of unreconciled differences;
- Reconcile on a monthly basis all cash collections from the cash receipts log, pre-numbered receipts to the validated deposit slips and the general ledger. Also, all cash collection should be deposited on a timely basis; and
- Timely preparation and submission of financial statements to include budgeted to actual variance reports to management and the Board.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Current Status

Partially resolved.

Many manual ledgers are used to record transactions into the general ledger. All cash activity is reconciled on a monthly basis. NORA is in the early stages of procuring a new financial system for the agency. Management anticipates that once installed, the new system will budgeting and monitoring process.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

NORA's response to the other matters identified in our audit is described in the accompanying report under the caption "Management's Response" and "Current Status". We did not audit NORA's response and, accordingly, we express no opinion on it.

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of Board of Commissioners, management, the City of New Orleans, Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised State 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 28, 2011